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# ***Daily Report***

## **China**

FBIS-CHI-87-205  
Friday  
23 October 1987

# Daily Report

## China

FBIS-CHI-87-205

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## General

**Newspaper on Shultz' Middle East Trip**  
*HK221409 Beijing RENMIN RIBAO in Chinese*  
21 Oct 87 p 6

[Commentary by Lin Jiaoming (2651 4109 2494):  
"Shultz' Trip to the Middle East"]

[Text] On the 16th of this month, U.S. Secretary of State Shultz embarked on his visit to Israel, Saudi Arabia, and Egypt. He will meet with King Husayn of Jordan in London. The whole trip was rather hurried.

According to reports, Shultz' purpose in making this trip was to "evaluate the situation," to find out about the practical possibility of Arab-Israeli talks on the Middle East issue, and to "find out how new proposals can be raised." However, judging by the results of his trip, one can see that he has made little progress in mediating between the two antagonistic Israeli factions, which disagree with each other on the issue of holding an international conference on peace in the Middle East, and that he has achieved still less progress in reconciling Arab-Israeli differences over the proceedings and the specific form of this international conference.

Revisiting the Middle East 2 years after his last visit, Shultz arrived in the area at a time of violent turbulence and when the area was beset with crises. Peace efforts were not producing results; Israel was still committing atrocities among the Palestinians in southern Lebanon, on the West Bank of the River Jordan, and in Gaza; Iran and Iraq were mounting increasingly ferocious attacks on cities and oil tankers; and the military confrontation between the United States and Iran had led to direct armed clashes and a chain of retaliatory actions. At the same time, people were still mediating the implementation of UN Security Council Resolution No 598. However, preparations for a special summit of Arab countries were almost complete. Given the situation in the Middle East and in the Gulf, Shultz had little room to maneuver in the Middle East. Even some officials of the U.S. Congress have also admitted that "it was not an opportune time."

However, the Reagan administration had practical reasons to send Secretary of State Shultz to the Middle East to evaluate the situation at that time. President Reagan's second term is now drawing to a close. During his second term, the administration has been seriously criticized and ridiculed at home for not having done anything to bring about peace in the Middle East. Therefore, if it does not do something about it, people will put even greater pressure on it. This is its first reason. On the other hand, although the United States agrees in principle to an international conference on peace in the Middle East, it refuses to participate in such a conference unless the PLO formally accepts UN Security Council Resolutions No 242 and 338. At present, Shultz still thinks that the Soviet Union is "still not entitled to" participate in

Middle East peace efforts and continues to sing the same old tune of "bilateral talks." Obviously, there is still some distance between this on the one hand and the positions of the relevant Arab countries on the other. In Israel, the Likud, which is headed by Shamir, is resolutely against an international conference and refuses to hold talks with the PLO, although Peres, leader of the Labor Party, conditionally accepts the proposal for an international conference. It is generally believed if the two factions cannot eliminate the antagonism between them, they will have to let the next government deal with the problem of holding an international conference. The United States worries that if this impasse persists, the Middle East will be in danger of being exposed to "violent actions." The purpose of Shultz' trip was precisely to seek "new proposals" from among the relevant parties and Israel in order to put an end to this impasse. This is its second reason.

In addition, in the words of Western diplomats, Shultz focused his attention on "Moscow" while visiting the Middle East. The United States and Soviet Union have in principle reached an agreement on medium-range missiles and are planning a second U.S.-Soviet summit following the Reykjavik summit. Undoubtedly, the issue of regional conflict in the Middle East and other parts of the world will be discussed. When Shultz was visiting the Middle East, Vorontsov, the Soviet Union's first deputy foreign minister, was also shuttling between various countries in the same region. This obviously did not happen by chance. The United States and Soviet Union were making field trips before they face each other in a new round. They will test each other's strength on the basis of their interests in the Middle East.

When Shultz was visiting the Middle East, a Kuwaiti oil tanker flying the American flag and a U.S. ship were hit by missiles. On 19 October, U.S. warships retaliated by destroying an Iranian offshore oil rig. As a result, the situation in the Gulf has abruptly become very tense. Objectively, this has diverted the attention of the international community from the Middle East peace efforts. Shultz assured the Saudi king that the United States "is willing and has resolved to uphold the two countries' common interests." This is an indicator of the motives behind U.S. military involvement in the Gulf. However, one really wonders whether the United States can easily regain the "credibility" it lost in the Middle East since "Iranscam." The United States has long ignored the national interests of various Arab countries and the Palestinians and is partial toward Israel's expansionist policy. This is a fatal weakness of its Middle East policy. During his Middle East trip, Shultz tried to seek a solution on the basis of the old principles. Of course, this is impossible.

**East-West Joint Venture Symposium Attended**  
*OW181105 Beijing XINHUA Domestic Service*  
*in Chinese 1208 GMT 15 Oct 87*

[By Reporter Xi Shuangtao]

[Excerpts] Helsinki, 14 Oct (XINHUA)—A 3-day symposium in Helsinki on the development of operations of East-West joint ventures ended today.



During the symposium, some 40 economic scholars and entrepreneurs from 17 countries, including China, the United States, Hungary, the Soviet Union, France, and Finland, carried out extensive discussions focusing on operations, experience, existing problems, and their solutions related to the large numbers of joint ventures that have appeared in socialist countries in these years. Experts describe this symposium as the first meeting to earnestly discuss such a wide range of questions on joint ventures between East and West.

Among the participating countries, China leads the others in the development of joint ventures as far as both the speed of development and the number of such ventures are concerned. Opening to the outside world is China's national policy, said Lao Yuanyi, acting assistant general manager of the China New Technology and Pioneer Investment Corporation, in a speech made at the symposium. In a short span of 9 years, he said, 6,914 joint ventures have been established in China, and there have been a variety of ways to operate such ventures, such as cooperation, joint operations, compensatory trade, and common development.

He pointed out: Due to the difference between China and the investing countries in their purposes of developing joint ventures, contradictions and difficulties may appear in the course of cooperation. In spite of this, the fact that joint ventures have developed so quickly in China indicates that many common grounds exist between the two cooperating sides. In his opinion, if both sides try to remove unnecessary interference and make some reasonable compromise as necessary, the difficulties encountered in the course of their cooperation can be resolved.

Tamas Beck, chairman of the Hungarian Chamber of Commerce, noted in his speech that over the past 2 years Hungary has established nearly 100 joint ventures with 20 different countries and the combined foreign investment has approached \$100 million. He said that Hungary has simplified the procedure and shortened the time required for approving applications for establishment of joint ventures and guaranteed that the joint ventures' profits can be remitted in the form of foreign exchange to the investing countries. Moreover, joint ventures are given preferential tariff treatment, he added.

Soviet representative Vladimir Glenev spoke on his government's policies, laws, and regulations governing joint ventures. [passage omitted]

The symposium on the development of operations of East-West joint ventures was cosponsored by the International Institute of Applied Systems Studies and the Finnish Enterprise Operations Research Institute. It was decided by the participants that the next symposium will be held in the summer of 1988 in Budapest, capital of Hungary.

## United States & Canada

**RENMIN RIBAO Views Wall Street**  
*HK221053 Beijing RENMIN RIBAO in Chinese*  
22 Oct 87 p 7

["Economic Jottings" by Zhang Zhenya (1728 2182 0068): "An Ominous Sign on Wall Street"]

[Text] The continuous steep fall in quotations from the Wall Street stock exchange has thrown all the financial markets of the world into confusion. The collapse of the New York stock exchange in 1929 was followed by a worldwide economic depression. The current fall in quotations has outstripped that of 1929. Will the economic depression of 1929 be repeated?

The stock market is a barometer of economic development. The drastic fall in the stock markets evidently proves that the current economy of the West is beset with difficulties and the situation is far from good. Viewed from various factors, however, the economic depression in 1929 will not recur in the West today. The reason is that through years of readjustment, the current financial system of the West is far more stable than in 1929 and there are no indications of an imbalance of production and demand. In addition, no large companies or banks have so far gone bankrupt. The tense situation relaxed somewhat as a result of the 102-point rise in quotations from the New York stock exchange on 20 October. This shows that the collapse of the stock market can temporarily be avoided. President Reagan repeatedly stated that the U.S. economy is "stable" and that he is "optimistic" about the future. Nonetheless, the worldwide slump in stocks gives people much food for thought.

Some economists of the West attribute the current financial shock to people losing confidence in the U.S. economy. They have hit the nail on the head. Since the beginning of the year, the United States has failed to reduce the huge deficits in both its budget and foreign trade. The U.S. dollar, which has dropped enormously, is still unstable. To stabilize the U.S. dollar, the U.S. financial authorities recently raised the interest rate to attract foreign capital. However, high interest rates are extremely disadvantageous to the stock market and business investment. In economic policies, West Germany and Japan have acted contrary to the United States. As a result, people no longer have confidence in the ability of the Reagan administration in exercising control over the world's economy. People crazily sold big quantities of shares at the New York stock exchange precisely because they felt that the future of the economy was gloomy.

Moreover, quotations from the stock markets in the United States and other parts of the world have risen continuously for a period of 63 months since August 1982, a rare phenomenon in history. The financial circles were long ago worried about the excessive rise in stock prices. Such worries caused some fluctuations in

quotations at the New York stock exchange last year, while the current fall in the stock market is actually a check on the excessive rise in the past.

Naturally, the tense situation in the Gulf has further aggravated peoples' worries about the future economy of the West and has produced a direct impact on the recent slump on the stock markets.

Furthermore, the rapid transfer and huge flow of international capital have also intensified the turbulence of the financial markets.

Both economy and trade are increasing at a slow pace in the world today. In addition, factors including unstable finance, protectionism, and debt crisis have hampered the economic development of many countries. The recent soul-stirring stock crisis which began on Wall Street is a sign of such a state of affairs.

**Vice-Premier Li Meets With U.S. Physicist**  
*OW191627 Beijing XINHUA in English 1620 GMT  
19 Oct 87*

[Text] Beijing, October 19 (XINHUA) — Li Peng, Chinese vice-premier and minister in charge of the State Education Commission, met here today with noted American Physicist C. N. Yang, and Mathematician Shiing Shen Chern [name as received] and his wife.

During the meeting, they exchanged views on education in China.

C. N. Yang arrived here as a visiting scholar at the invitation of China's State Education Commission and will preside over an academic seminar held by the Institute of Mathematic Nankai Theoretical Physics Group.

Shiing Shen Chern was engaged by the Chinese Government as a director of Mathematical Sciences Research Institute attached to Nankai University.

Under the proposition of C. N. Yang, the Mathematical Sciences Research Institute attached to Nankai University has set up the Institute of Mathematic Nankai Theoretical Physics Group, according to an official from the State Education Commission. The establishment of the institute will be conducive to the development of mathematics and physics.

During the meeting, Li Peng expressed the hope that C. N. Yang and Shiing Shen Chern will cooperate well and train more qualified researchers in mathematics and physics.

Chinese State Councillor Zhang Jingfu met with C. N. Yang, and Shiing Shen Chern and his wife, and hosted a dinner in their honor in the evening.

**PRC: NPC's Zhou Gucheng Meets U.S. Youth Visitors**

*OW211311 Beijing XINHUA in English 1303 GMT  
20 Oct 87*

[Text] Beijing October 29 (XINHUA)—Zhou Gucheng, vice-chairman of the National People's Congress (NPC) Standing Committee, met with a delegation from the American Council of Young Political Leaders led by the council's Vice-Chairman Danny Lee McDonald here today.

During the meeting, Zhou Gucheng expressed a welcome to the delegation on behalf of the NPC Standing Committee, saying that he is pleased to have the opportunity to meet the American young friends.

McDonald said this is the first China trip for most of the members of his delegation, which, he added, will facilitate their understanding of China and strengthen bilateral friendship.

Established in 1966, the American Council of Young Political Leaders is a semi-official joint organization of the Republican Party and Democratic Party of the United States. Its members are the young officials from the federal and local congresses and governments, both parties' institutions.

The delegation arrived here October 17 at the invitation of the All-China Youth Federation and is scheduled to leave for home October 29.

**Soviet Union**

**Soviet Change in UN Policy Analyzed**  
*OW230332 Beijing XINHUA English 0203 GMT  
22 Oct 87*

["News Analysis: A Major Soviet Change in UN Policy" by Qian Wenrong—XINHUA headline]

[Text] United Nations, October 20 (XINHUA)—Soviet Deputy Foreign Minister Vladimir Petrovsky unexpectedly announced here last week that his government has decided to pay its overdue 225-million-dollar UN bill, including 197 million dollars for peacekeeping operations.

Since 1973, when a force was sent to the Middle East after the Arab-Israeli war, the Soviet Union has been withholding peacekeeping funds. Now, however, Petrovsky says "the USSR will meet its arrears in full for peacekeeping operations without any exceptions."

The Soviet decision is seen by UN diplomats not only as a shift of the nation's attitude toward the peacekeeping operations, but more important, as a major change in Soviet policy toward the United Nations as a whole.

In an article entitled "Reality and Safeguards for a Secure World," published in *Pravda* on September 17, Soviet leader Mikhail Gorbachev wrote that "wider use should be made of the United Nations military observers and the United Nations peace-keeping forces for separating the troops of those engaged in hostilities and for monitoring ceasefire and truce agreements."

Subsequently, Soviet Foreign Minister Eduard Shevardnadze suggested that the United Nations send a multinational fleet to the Gulf area to replace the U.S. and other Western navies. Many diplomats view the Soviet interest in peacekeeping forces as part of a drive to give the United Nations more authority to regulate military conflicts, economic relations and other matters. Gorbachev said in his article that his proposed "comprehensive system of international peace and security" could operate "within the framework of the United Nations." This appears to indicate that the Soviet leader wants to use the world body to pursue his new ideas.

Proposals he offered to strengthen the role of the United Nations include:

- Establishing a mechanism for broad international monitoring of compliance with agreements on reducing international tension and limiting weapons,
- Establishing a direct line of communication between United Nations headquarters and the capitals of the permanent member states of the Security Council,
- Creating a UN tribunal to investigate acts of international terrorism,
- Convening a meeting of high-level representatives of the security member states to discuss the relationship of disarmament and development.

The powerful new role that the Soviets now seek for the United Nations appears to succeed prior attempts at focusing on U.S.-Soviet relations in dealing with major international affairs or on bilateral economic aid to Third World countries. An Arab diplomat said: "They (the Soviets) have always believed in an international order that they would control. Now they're advocating international stability, not necessarily controlled by anybody."

Most UN diplomats held that the the new Soviet policy toward the United Nations is a reflection of the Soviet leaders' desire to their energies on their domestic economic reform, leaving the United Nations to cope with the dangerous international or regional conflicts. [sentence as received]

Some diplomats also see that Moscow is now turning to pay more attention to the role of the United Nations just at a time when the United States' "enthusiasm" for the world body is on the wane. The United States has withdrawn from the United Nations Education and

Science Organisation (UNESCO) and has refused to pay its assessed share of the United Nations budget for the second year in a row, which is the principal cause of the organization's serious financial difficulties.

Because of this background, Gorbachev stressed in his article that "it is impermissible to use financial levers" to "bring pressure to bear" on the UN.

However, some UN diplomats said the Soviet new policy towards United Nations does not mean that it has given up its scramble for world domination with another superpower.

**USSR 'New Political Thinking' On War Viewed**  
*HK230808 Beijing JIEFANGJUN BAO in Chinese*  
5 Oct 87 p 3

[Article By Chen Youyi (7115 0645 6146): "Soviet Union's 'New Political Thinking' on War"]

[Text] Since the 27th CPSU Congress, the Soviet leaders and academic circles have issued or published a series of documents, articles, and speeches on the question of war and peace. These documents, articles, and speeches expounded the Soviet Union's present views and stand on the question of war and peace, and stressed that efforts must be made to solve the current pressing world issues with "new political thinking." Here I would like to give a brief account of the main views expressed in these documents, articles, and speeches:

To fight a nuclear war means to destroy mankind's civilization. Since the present era is one of nuclear and space weapons, mankind is unprecedentedly close to self-destruction. "Nuclear weapons carry within themselves a tornado which can wipe mankind from the surface of the earth." "After a nuclear war no problems will exist in the world and no one will sit down to hold negotiations. It will be impossible for anyone to sit on a stump or even on a stone, never mind sitting around the negotiation table."

There will not be any winners, losers, or onlookers in a nuclear war. No one will benefit from a nuclear war. In a war in which nuclear missiles are used, there will not be any winner. It is impossible for anyone to win a nuclear war. "In a nuclear war no one can escape attack by nuclear weapons; no one can sit there and watch others fighting with nuclear weapons; and no one can benefit from the tragedies of others."

A new world war is not absolutely unavoidable. No matter how serious the situation is, a new world war can still be avoided. "The regular replacement of peacetime by wartime and vice versa and the 'circle from war to peace and again from peace to war' have long been ended since the nuclear bombardment of Hiroshima and Nagasaki." Therefore, "a new world war can be avoided and the material preparations for a new nuclear conflict can also be stopped."



A new world war is no longer a continuation of politics. "Since the Hiroshima and Nagasaki incidents, a new world war has no longer been the continuation of politics. This is because in a nuclear war, the pursuer of such politics will also be eliminated." So, "world war has become outdated in the era of nuclear and space weapons and is no longer a means to realize a certain political goal

In order to win peace it is necessary to prepare for peace. Therefore the old ways of thinking such as that "in order to win peace it is necessary to prepare for war," which was the ideology of soldiers in ancient Rome, should be completely discarded. This well-known saying has not only become outdated under the present conditions but has also become a direct threat to mankind. If people want peace, what people should prepare for is not war, but peace.

To maintain a low-level strategic balance and a reasonable and sufficient national defense capacity. In the era of nuclear and space weapons real safety is not guaranteed by a top-level strategic balance, but by the lowest-level strategic balance. "The Soviet Union holds that efforts must be made to lower the level of military preparedness and reduce the military forces to a level which is sufficient for national defense.

To guarantee safety has now become a political task. The nature of modern weapons has made it impossible for any country in the world to defend itself by relying on its military technology and by building a strong national defense. To guarantee safety has become a political task. "To accomplish this task, what people need is not weapons nor the "containment" or "deterrent" strategies, but the political means." "Today, to guarantee safety by participating in the arms race, which means updating and improving the "sword" and the "shield," is a totally irresponsible act.

### Northeast Asia

**Trade Imbalance With Japan 'Major Obstacle'**  
*HK230549 Hong Kong ZHONGGUO TONGXUN SHE  
in Chinese 0747 GMT 17 Oct 87*

[Article by Hao Si (6787 1835)]

[Text] Hong Kong, 17 Oct (ZHONGGUO TONGXUN SHE)—Japan is China's largest trade partner. Bilateral trade between China and Japan accounts for 23 percent of China's total foreign trade volume. Meanwhile, Japan is also the largest supplier of China's imported goods, Japanese goods accounting for nearly 30 percent of China's imported goods. Japan is the country which benefits most from trade with China. Last year, Japan's trade surplus with China reached more than \$5 billion, accounting for almost 90 percent of China's total trade deficit.

The trade imbalance between China and Japan has become a major obstacle to the further development of their bilateral trade. Since the two countries normalized their diplomatic relations in 1972, their bilateral trade has been developing rapidly. However, of the past 15 years, China enjoyed a trade surplus in only 1 year, suffering trade deficits in 14 years. The annual trade deficit increased from less than \$1 billion before 1983 to \$5.1 billion in 1986. China indicated that the trade deficit had reached an intolerable level.

This year, China has substantially increased its exports to Japan. In the first 7 months of this year, China's exports to Japan increased by 32 percent over the same period last year. In addition, there are also some structural changes in the Chinese export goods. According to Japanese statistics, from January to May this year, precision processed products with added value accounted for 34 percent of China's export goods to Japan, against 30 percent in the same period last year. As the proportion of precision processed products rose, the proportion of ordinary raw materials among the export goods certainly decreased. This helps raise the value of China's export commodities and helps change the imbalance in Sino-Japanese trade.

The future development of Sino-Japanese trade depends on whether the imbalance will be changed. The two sides now hold the same opinion on this issue and agree that an increase in China's exports to Japan is the key to overcoming China's trade deficit. However, on the issue of how to increase China's exports, the Japanese side places too much stress on the necessity for China to improve the quality and competitiveness of its goods and to increase the number of new products to make them more marketable in Japan. In fact, the main reason for China's huge deficit in its trade with Japan is that Japan has not fully opened its market and still imposes high import tariffs and strict quotas to restrain the import of the goods which it also produces at home.

At present, more than 30 kinds of Chinese goods are still subject to Japanese import restraints. Heavy tariffs are imposed on the import of 16 kinds of Chinese goods, and another 9 kinds of goods are subject to restraints by means of import quotas. Most of these goods whose export from China is being restrained are China's native products and traditional export products, which will not have any influence on Japan's domestic production. In addition, even though some products may meet with great demand in Japan, their import from China is still not allowed. Japan also imposes higher tariffs on some Chinese products than on the same products from other countries, and even imposes tariffs on some products the import of which from other countries is free. In the past 1 to 2 years, due to the pressure from other trade partners, Japan has opened part of its market to a very limited degree, but it has not made any substantial changes in the discriminative measures against some Chinese goods.



As for the Chinese side, apart from improving product quality and competitiveness, it can still further tap the potential in increasing the export of precision processed products. For example, Japan needs to import most of China's rare metal products. In the past, China mostly exported raw materials and primary products. In the future, more processed products with added value can be exported. In addition, China can also increase the export to Japan of some traditional light industrial goods and some mechanical products.

Given China's present export ability and Japan's limited opening of its markets, it will be hard to sharply increase Chinese exports to Japan in a short time. If China's imports from Japan are reduced substantially in order to hold down the trade deficit, then the total trade volume between the two countries will fall. This year, China has only reduced the import of high-class consumer goods and duplicated projects from Japan. If Japan does not change its restraints regarding Chinese goods, China will further reduce the import of Japanese goods. Therefore, although the deficit in China's trade with Japan may continue to decrease, it is hard to say whether the scale of bilateral trade will continue to develop. This will mainly depend on whether China's exports to Japan can increase substantially or not, and on the degree of the opening of Japan's market.

**Zhang Aiping Meets North Korean Army Group**  
*OW230041 Beijing XINHUA in English 1318 GMT*  
22 Oct 87

[Text] Beijing, October 22 (XINHUA)—Zhang Aiping, state councillor and minister of national defense, met here today with a goodwill visiting group from the People's Army of the Democratic People's Republic of Korea.

The group is led by General Yi Pyong-uk, Korean vice-minister of the People's Armed Force.

The delegation left here for home this afternoon.

**Chen Muhua Meets Japanese Oil Importers**  
*OW211356 Beijing XINHUA in English 1220 GMT*  
21 Oct 87

[Text] Beijing, October 21 (XINHUA)—Chinese State Councillor Chen Muhua met with a delegation from the importers' conference of Chinese petroleum in Japan led by president of the conference Yasuoki Takeuchi here today.

The Japanese guests are here at the invitation of the China National Chemicals Import and Export Corporation.

**Southeast Asia & Pacific**

**Leaders Thank CGDK Counterparts for Welcome**  
*BK230154 (Clandestine) Voice of Democratic*  
*Kampuchea in Cambodian 2330 GMT 22 Oct 87*

[Text] On 10 October, His Excellency Deng Xiaoping, chairman of the CPC Central Advisory Commission; His Excellency Li Xiannian, president of the PRC; His Excellency Zhao Ziyang, premier of the PRC State Council; and Her Excellency Madam Deng Yingchao, chairman of the Standing Committee of the Chinese People's Political Consultative Conference, sent a reply message to Samdech Norodom Sihanouk, president of Democratic Kampuchea; His Excellency Son Sann, CGDK prime minister; and His Excellency Khieu Samphan, vice president of Democratic Kampuchea in charge of foreign affairs, for their greetings message on the occasion of the 38th founding anniversary of the PRC. The text of this message read:

We are greatly honored to receive the message of greetings from the Samdech and your excellencies on the occasion of the 38th founding anniversary of the PRC.

We would like to express our profound thanks to you for your deepest sentiments of fraternity and warmest salutations.

The friendly relations between our two countries and peoples have existed since time immemorial.

May the Samdech and your excellencies be confident that the Chinese Government and people will constantly support the just cause of your struggle against the Vietnamese aggressors for national liberation.

We are convinced that the Cambodian people will certainly seize final victory over the Vietnamese aggressors.

Please, the Samdech and your excellencies, accept our highest regards.

[Signed] Deng Xiaoping, chairman of the CPC Central Advisory Commission;

Li Xiannian, president of the PRC;

Zhao Ziyang, premier of the PRC State Council;

Deng Yingchao, chairman of the Chinese People's Political Consultative Conference.

**Hung Bo Discusses UN Cambodia Resolution**  
*OW210931 Beijing in Russian to the USSR 1800 GMT  
17 Oct 87*

[From "International News Review" program]

[Text] A resolution on the Cambodian problem was adopted unanimously on 14 October at the 42d session of the UN General Assembly. It demands complete withdrawal of foreign troops from Cambodia and giving the Cambodia people an opportunity to solve their future themselves. Our radio commentator Hung Bo will now discuss this issue:

[Hung Bo] This is already the ninth consecutive resolution adopted by a UN General Assembly session on the Cambodian problem. At the current session 117 votes were cast for the resolution, which is two more votes than at the previous session. This shows that the international community continues to energetically support the Cambodian people in their just struggle against Vietnamese aggression and for the salvation of the motherland.

In recent years, on the eve of every UN General Assembly session Vietnam has initiated a new offensive aimed at ensuring that the least number of UN members support the draft resolution on the Cambodian situation. Nevertheless, it has suffered one failure after another. In recent months Vietnam has once again begun talking profusely about its intention to normalize the Cambodian problem by political means. At the end of July it proposed at first to hold meetings of the belligerent sides in Cambodia and to realize national reconciliation on this basis, and then, to convene an international conference with the participation of Vietnam, the ASEAN countries, and other interested countries that would provide international guarantees. At the end of August, the Phnom Penh authorities published a six-point program for national reconciliation based on elections, while at the beginning of October, at the beginning of the debates on the Cambodian problem at the UN General Assembly session, they also dredged up a five-point concoction on a political settlement of the Cambodian issue.

At first glance, both Hanoi and Phnom Penh displayed a sincere desire for a peaceful solution. However they did everything possible to evade the essence of the key issue, the withdrawal of Vietnamese troops from Cambodia, with the aim of turning the occupation of Cambodia by Vietnam into the question of civil war in Cambodia.

Representatives of an overwhelming majority of countries in their speeches at the session, noted that with the talk about draft proposals on achieving national reconciliation in Cambodia and the withdrawal of troops from that country, Vietnam continues to pursue the aim of further occupying Cambodia and legalizing the puppet clique in Phnom Penh.

Li Luye, PRC permanent representative to the United Nations, during the debate on the Cambodian issue, said: For a just and rational solution of the Cambodian question, and for realizing national reconciliation in that country, the Chinese Government considers that it is necessary to withdraw all Vietnamese troops from Cambodia, to realize national reconciliation under the leadership of Samdech Norodom Sihanouk which would not exclude any of the factions nor permit any of these factions to unilaterally assume power, and give the Cambodian people an opportunity to decide their fate and future themselves without foreign interference.

On the eve of the debates on the Cambodian issue at the UN General Assembly Session, the Vietnamese authorities once again pulled a trick by partially withdrawing troops. The Phnom Penh authorities even proposed that Samdech Norodom Sihanouk occupy the top position in the state governing apparatus. Using the name of Samdech Norodom Sihanouk, who is acceptable to various sides, they aim to form a government, the mainstay of which would be the Heng Samrin clique. Thereby they would split the Coalition Government of Democratic Kampuchea, in order to give Vietnam an opportunity to realize its plan of establishing an Indochina Federation.

In his written address to the UN General Assembly session, Samdech Norodom Sihanouk unmasked Vietnam's schemes. He said: Vietnam is stubbornly striving to achieve national reconciliation before the withdrawal of all its troops from Cambodia. This simply reverses things. National reconciliation will be implemented without delay, Samdech Norodom Sihanouk noted, when Vietnam ends its military occupation of my country.

Unfortunately, the Soviet Union, which talks a lot about its desire for a political settlement of the Cambodian problem, once again, together with Vietnam, cast its vote against the resolution on Cambodia. On the second day after this resolution was adopted, the Vietnamese Ministry of Foreign Affairs declared that it refuses to fulfill this resolution. This shows that Hanoi's basic position on the Cambodian question remains unaltered. The Vietnamese authorities, following their own course, are attempting to continue the occupation of Cambodia under the pretext of so-called national reconciliation, but eventually they will simply get into a stalemate.

**JIEFANGJUN BAO on Vietnam's Economic Woes**

*HK221039 Beijing JIEFANGJUN BAO in Chinese  
11 Oct 87 p 4*

["Weekly Commentary in Current Affairs" column by Dong Fangtic (2639 2455 6993): "What Is the Root Cause of the Deterioration of Vietnam's Economy?"]

[Text] Vietnam's economy recently plunged to a new record low: The domestic inflation rate reached a high of 700-1,100 percent. A few days ago, Vietnamese leader

Nguyen Van Linh admitted: "The present rise in commodity prices is a very big disaster." However, he went on to say that the deterioration of the economy was due to defective domestic policies and not to the war of invasion in Cambodia.

This is really odd. The new Vietnamese leadership assumed power in December last year. At that time, Nguyen Van Linh publicly criticized the previous leadership for committing serious mistakes in "major principles, strategic guidance, organization, and implementation." He then vowed to rid the country of its difficulties through economic reforms, as if these reforms were like Aladdin's magic lamp in the "Tales of One Thousand and One Nights" by which reciting some magic words and rubbing the magic lamp, all economic troubles would vanish into thin air. However, despite enormous efforts exerted by the Vietnamese authorities for more than 6 months, no improvement took place in the economy. Vietnam's gross domestic production stood at a mere \$5.3 billion, per capita income at \$88, foreign currency reserves at \$17 million, while foreign debts came to \$8.7 billion. Even Nguyen Van Linh himself had to concede that economic reforms had failed to check the "disastrous" inflation. Actually, this comes as no surprise. The previous Vietnamese leadership had also placed their hopes on implementing reforms, but the reforms were either ineffective or ran into a wall. Finally, they had to be wound up hastily. If it were merely a question of defective domestic policies, why are the Vietnamese authorities so powerless?

Whether the Vietnamese leaders admit it or not, the root cause of Vietnam's economic mess today is none other than its foreign invasion and expansion. Since regional hegemonism is the national strategy currently pursued by Vietnam, its domestic economic policies as well as invasion of Cambodia all stemmed from this strategy. Thus, the deterioration of Vietnam's economy has become an incurable disease, the result not only of defective domestic policies but of an erroneous national strategy as a whole.

Following the unification of Vietnam in 1975, the country should have taken time to recuperate and develop the national economy. However, Vietnam's leaders did the opposite and launched an invasion against Cambodia which has lasted for 9 years. During this period, the number of active servicemen in Vietnam was kept at 1.2 million, and combined with other armed forces, the total came to 5 million, constituting 8 percent of the total population. If this were in the United States or the USSR, such a high proportion could be tantamount to an armed force of 16 to 20 million, respectively. Even for these two superpowers, the figures are unacceptable; so much more for Vietnam, which is one of the world's poorest countries! The Vietnamese invasion forces in Cambodia were always maintained at 120,000-140,000 men. The huge military expenditure continuously eats up Vietnam's resources like an endless economic "pit." To maintain its enormous war machine, Vietnam's

annual military expenditure takes up 50 percent of the national budget. Despite annual Soviet assistance, which contributes to one-third of Vietnam's gross domestic product and which accounts for \$1.5-2 billion worth of nonmilitary assistance, Vietnam's economy remains in a dismal and deteriorating state. Confronted with this widely-known fact, the Vietnamese leaders adopted an "ostrich policy," refusing stubbornly to admit the source of the problem.

The unjust war is also seriously eroding the entire Vietnamese society. On this, *Nhan Dan* not long ago issued an editorial making a very apt comment: "Morale has never been lower, confidence never so lacking, and justice never so trampled upon." Trying to reverse the situation under these circumstances is indeed more difficult than a camel going through the eye of a needle.

Some people in Vietnam seem to have realized the problem and have come out with various proposals. Some suggested immediately shifting from wartime economic management to peacetime management, others proposed troop reductions. Still others advocated that "the war be set aside" in favor of economic construction. Nevertheless, none of these measures is going to work, because as long as the policy of invasion does not change, the war machines continue to turn, and the aggressors remain deeply implanted in the battlefields of Cambodia, then the nightmarish deterioration of the economy will not go away. If the Vietnamese leaders really want to get out of the economic difficulties, there is only one way: End the aggression and withdraw all forces from Cambodia at once.

**Journal on Aquino, Situation in Philippines**  
HK230413 Beijing BAN YUE TAN in Chinese No. 8,  
25 Sep 87 pp 56-57, 58

[Article by Lin Dongming (2651 2639 2494): "Mrs Aquino: Political Future of the Philippines Hinges Upon Her"]

[Text] Midnight. The streets of Manila, capital of the Philippines, were still. There were very few people. The city had not yet recovered from the disruption after 2 days of continuous massive strikes mobilized by the leftist workers union. At that moment, more than 10 Army trucks full of soldiers carrying rifles with live ammunition drove quietly into Manila from the provinces. These army trucks, as previously planned, drove separately to the presidential palace, the Ministry of Defense, the Air Force base, the ammunition depot, and television stations Nos 7 and 13. On 28 August at 0130, the first rifle shots were heard at the presidential palace.

The presidential guard, loyal to their duty, fired back furiously, and simultaneously reported to the president: Rebel troops, in unknown numbers but outnumbering the presidential guard by several times, are launching an



attack! Mrs Aquino, after being busy all day, had slept for only half an hour, and hearing the reports from outside said impatiently to herself: "Again the same thing...."

Yes, again the same old thing, namely a coup attempt launched by a small number of dissatisfied soldiers. This is the fifth conspiracy and coup in the 18 months since Mrs Aquino came to power in February last year.

The first coup attempt took place 4 months after she came to power. It was launched by former President Marcos' election partner and vice-presidential candidate Tolentino, who announced the establishment of an opposition government in the Manila Hotel, the most famous hotel in Manila, and who threatened to march on the presidential palace. At that time several thousand supporters of former President Marcos and several hundred Army officers and soldiers participated in that Manila Hotel farce. Mrs Aquino ordered that incident handled "with the greatest leniency" at that time. The Army men who participated in that incident were only punished with 30 push-ups and transferred from their original posts.

Therefore, not even several months after that incident, a handful of soldiers again started to make trouble. At that time, a group of Army officers supporting Minister of Defense Enrile held a meeting in Manila to discuss plans for a coup, intending to stage the coup 2 days later, first occupying the radio station, then occupying the parliament building and forcing the president to step down.... But the government obtained intelligence reports about it in time and moved first to forestall it. The conspiracy this time was then exposed.

After these two trials of strength, the government had become more vigilant. The coup conspirators had also become more sinister and ruthless, and such was the case with the fourth coup conspiracy. They had put a time bomb on the platform from which Mrs Aquino was to make an address. Mrs Aquino escaped death by sheer luck only because she did not arrive.

What has made people ponder is that in the third coup and the most recent, fifth coup the actions involved were entirely the same, unchanged plan. The dates chosen also followed several days of continuous massive mass demonstrations and the time was 0130 in both cases. The targets for attack were again the Ministry of Defense, the Army barracks, and the radio station. Of course, in both cases the result was also the same; both coup attempts were swiftly defeated. But people cannot refrain from asking how could the soldiers have launched coup after coup so rampantly?

The first thing on which people hold rather similar views is that Mrs Aquino was too lenient toward the leaders of the coup attempts, so that the conspirators could provoke disturbances again and again in the secure knowledge that they had strong backing. For example, the leader of this fifth coup attempt, Gregorio Honasan, participated in both the first and third coup attempts.

True, the lenient policy adopted by Mrs Aquino shows her personal political character, but the main reason is also a deeper one. It is the existence of the remnant forces of the government of former President Marcos. They were not touched after the establishment of the new government and they are always seeking an opportunity to stage a comeback. They combine with those who are dissatisfied with the new government in their evil deeds. These people include dismissed Army officers, the regional government heads who fell from power, and the big landlords and rich farmers who feel threatened by the land reform.

As well as these forces, there are also in society and in the Army groups of rightists who have political differences with Mrs Aquino. They are dissatisfied that Mrs Aquino has put a number of so-called leftist elements in important positions and are also dissatisfied with Mrs Aquino's policy of dividing and disintegrating the Philippine Communists. Moreover, they are also dissatisfied that the present government does not depend on the Army as in Marcos' time, that soldiers' pay is too low and promotions are too slow, etcetera.

After governing for more than a year, Mrs Aquino has changed her policy greatly. In fact she has drawn closer and closer to the hardline policy of the Army. With regard to the Philippine Communists, she has already changed from the policy of negotiation to one of suppression. But regretfully, this policy still has not satisfied the hardliners in the Army, and has also greatly angered the leftists, represented by the Philippine communists.

In the Philippines, the leftists, like the rightists, also have an influence that cannot be underestimated. Those among them that pursue a legal struggle can mobilize several hundred thousand, even a million workers and peasants to demonstrate in the streets; while those that persist in armed struggle have not been weakened in the past year, but instead have grown. According to the chief of staff of the Philippine Armed Forces, those armed leftists now number 23,000 men. They not only conduct armed struggle in the rural areas, but also send small active groups into the cities and towns. This year they have killed more than 50 of the most evil policemen. After this latest coup attempt, the leadership of the Communist Party of the Philippines called upon the regional organisations to launch an offensive throughout the country and also to exploit the contradictions within the Army.

In this situation in which there is still no outcome in the life-and-death struggle between these two big forces, the political situation in the Philippines will definitely be turbulent. The position of Mrs Aquino will be continuously threatened from the right and the left. The aftermath of this latest coup attempt has not yet died down, and people are already predicting a new attempt. The Manila police and Army commander said: "The threat will continue to exist." The chairman of the Defense and



Security Commission said: "Do not be surprised if I say that this is not the last (coup attempt)." Minister of Defense Ito said frankly: "They (the coup elements) possibly will try again."

At present Mrs Aquino is the focus of the political struggle in the Philippines. There are those who want to exploit her and control her because she has huge prestige, domestically and internationally, that no one can match. There are those who want her presidential position and to get rid of her, because she is the biggest hindrance to their seizing power and staging a comeback. Therefore, we can say that the political future of Philippines hinges on Mrs Aquino.

**Gu Mu Arrives in Singapore for Conference**  
*OW221151 Beijing XINHUA in English 1317 GMT*  
20 Oct 87

[Text] Singapore, October 20 (XINHUA)—Singapore First Deputy Prime Minister and Defense Minister Goh Chok Tong met visiting Chinese State Councillor Gu Mu here today and had talks with him.

During the 30-minute talks, both Goh and Gu expressed satisfaction with cooperation between their countries in economic, cultural, tourist and training areas and the hope to promote bilateral ties.

This morning, Gu Mu also met Singapore Finance Minister Richard Hu.

Hu briefed Gu on Singapore's financial management and the measures adopted by the government to balance revenue and expenditures as well as the latest crash of shares in the Singapore stock market.

Regarding the economic situation of China, Hu said the stable growth of China's economy in recent years was a good example in the world. In order to get a stable growth, he said, the growth rate should be controlled.

This morning, Gu Mu also visited the Central Provident Fund (CPF) board and was briefed on the functions of the CPF.

CPF was established in 1955 as a compulsory savings scheme for all workers to ensure that they have enough savings to see them through their retirement or in the event of permanent incapacity.

**Trade Conference Opens**

*OW221202 Beijing XINHUA in English 1106 GMT*  
22 Oct 87

[Text] Singapore, October 22 (XINHUA)—The international conference on China's foreign trade and investment policies was jointly opened here today by China's State Councillor Gu Mu and Singapore Trade and Industry Minister Lee Hsien Loong.

The conference was organized by the Singapore Trade and Industry Ministry with the cooperation of the Chinese State Council's office for special economic zones.

This is the first time that an international conference on China's trade and investment policies is held outside China.

Addressing the opening ceremony, Gu Mu said so far, more than 70 laws and regulations concerning foreign economic relations have been formulated in China, following the setting up of a team by the State Council last year to give guidance to work in relation to foreign investment.

Moreover, regulations for the encouragement of foreign investment have been enacted, followed by over 10 sets of rules for the implementation of the regulations, he added.

He said positive changes have taken place in connection with ensuring the managerial powers of enterprises with foreign investment, reducing their production and operational costs, simplifying the procedure of approval, raising the work efficiency and providing satisfactory services.

The difficulties experienced by these enterprises at the initial stage of their production and operation are being solved by allowing them to supply each other's needs for foreign exchange with their surpluses, by making it possible for them to sell their products in the domestic market for foreign exchange in substitution of what are originally planned to be imported and by introducing an overall compensation system for them, Gu Mu added.

Lee Hsien Loong said in his speech that China offers a competitive low cost production base to cost-conscious companies from industrialized countries. China's large internal markets are a continuing attraction to multinational corporations seeking new markets.

He said that Singapore is a useful commercial gateway to China for foreign enterprises, and it can smooth the way for the international business community to do business with China. Singapore is also a significant entrepot for Chinese products sold in the region as well as regional exports to China, he said.

He stressed that multi-national companies (MNCs) can use Singapore as their base for investing in China.

Visible trade between Singapore and China, Li said, has grown four-fold, from 1.3 billion Singapore dollars (6.2 million U.S. dollars) in 1979 to 5.7 billion Singapore dollars in 1985.

Singapore investors have committed over 270 million U.S. dollars in 114 projects in China, accounting for 1 to 2 percent of total foreign investments in China. These investments include 105 million in hotels and 121 million in manufacturing, Lee said.

At this morning's session, Sr Goh Keng Swee, deputy chairman of the monetary authority of Singapore and economic advisor to China on coastal development and on tourism, also delivered a speech to comment on China's economic reforms and trade policies.

The conference is attended by about 1,000 local businessmen and delegates from nearly 20 countries and regions, including the United States, Britain, Federal Germany, Japan, Malaysia and Hong Kong.

The three-day conference will focus on China's economic reform, investment opportunities in China, importing from China, exporting to China, selling services to China and [the] provision of banking and financial services.

### Near East & South Asia

#### Egyptian-PRC Dialogue Conference Held

##### Ghali Addresses Conference

NC211728 Cairo MENA in Arabic 1610 GMT  
21 Oct 87

[Text] Beijing, 21 Oct (MENA)—The second Egyptian-PRC Dialogue Conference opened in Beijing today. During the 4-day conference, the participants will discuss various aspects of bilateral cooperation and political issues of common concern. Huang Yang, director of the International Studies Center of the PRC Council of Ministers [name and title as received]; and Dr Butrus Ghali, Egyptian minister of state for foreign affairs, who is currently visiting Beijing, made statements at the opening session. Huang Yang stressed that the challenges facing the Third World countries and the rapid changes that are taking place in the world necessitate joint action to find solutions for existing problems.

In his statement, Minister Ghali asserted that Egypt and the PRC believe in the cause of peace and in the need for efforts to bring peace to all hotbeds of tension in the world, both in the Middle East and in Southeast Asia. He said that efforts to achieve peace are vital for development and for the future.

During the meeting today, the Egyptian-PRC dialogue conference discussed a number of research papers submitted by experts from both countries on the policies of the big powers, regional stability, the Middle East situation, and the effects of the probable rapprochement and detente between the United States and the Soviet Union on the course of regional disputes and current confrontations in the world. Both sides stressed the importance of benefiting from the positive aspects of the detente

between the two superpowers and of avoiding the negative effects that could result from it. They agreed that the United Nations and other regional organizations should be strengthened and that solidarity among the Third World countries should be bolstered in order to eliminate the roots of regional conflicts that destroy the economies of these countries. Regarding the Middle East situation, the PRC representatives stressed support for the Palestinian people's legitimate rights and for an international conference for peace in the Middle East.

##### Li Meets Egyptian Scholars

OW221306 Beijing XINHUA in English 1228 GMT  
22 Oct 87

[Text] Beijing October 22 (XINHUA)—China hopes Arab countries will really unite and speak with one voice, Chinese President Li Xiannian said in today's meeting with a delegation of Egyptian scholars.

"I have told Arab friends several times the Arab world cannot be separated from Egypt, or Egypt from the Arab world," Li told the delegation, led by Butrus Ghali, minister of state for foreign affairs, "and China hopes Arab countries will unite and also hopes African countries will unite."

According to Li, African unity does not include South Africa, unless South Africa changes its policies, does not practice apartheid, does not prevent Namibia's independence, and does not interfere in other countries' internal affairs.

"China welcomes the agreement just reached between the United States and the Soviet Union on mid-range missiles," Li said, "because the world's people want peace and China welcomes any efforts by the United States and the Soviet Union which are beneficial to this cause."

Mid-range missiles account for only four percent of the two countries' total missiles, Li pointed out, and in addition to mid-range missiles, there are strategic and short-range missiles, and conventional and space weapons.

"Though the danger of a world war still exists, we believe anti-war forces are stronger than the forces of war," Li said, "and the people of the world, especially Europeans, do not want war because of their memories of the two catastrophic wars."

"Egypt will continue to work for world peace," Ghali said, "and only when peace is secured, can a country carry out economic development."

The Chinese president expressed satisfaction with the development of China and Egypt's friendly relations in various fields and hoped these relations would continue to expand.

Ghali said, Egypt's leaders, government and people all have a strong desire to expand bilateral cooperation in all fields.

Li asked Ghali to convey his best wishes to Egyptian President Mubarak and his wife, and he welcomes the president to visit China again.

Ghali conveyed President Mubarak's regards and passed a letter from Mubarak to the Chinese president.

**Iranian Arms Purchases From China To Cease**  
*HK231212 Hong Kong AFP in English 1201 GMT*  
**23 Oct 87**

[Text] Beijing, Oct 23 (AFP)—Iran's ambassador to Beijing said Friday his country had "much more" U.S.-made Stinger anti-aircraft missiles than the international news media had reported.

Ala'edin Borujerdi confirmed Iran also had Chinese-designed Silkworm missiles, which he said were captured from Iraq in the Gulf War and then "copied" in Iran.

"Of course we have Silkworm missiles and we have deployed them in the Persian Gulf for our defense," Mr Borujerdi told a news conference.

Asked about the origin of Silkworms, which in the past week have hit a U.S.-flagged tanker and a Kuwaiti oil terminal, he replied: "We won't acquire any kind of weapons from the PRC (People's Republic of China)."

Washington has alleged that China is Iran's biggest arms supplier. Beijing meanwhile has repeatedly denied it has sold Tehran weapons and says it is neutral in the Gulf War.

Discussing the acquisition by Iran of Stinger missiles, Mr Borujerdi said: "We have much more... than the number which has been stated so far in the press"—namely 16.

Reports from the United States said the missiles—used to knock out warplanes at low altitudes—had been diverted to Iran from their intended user, the Afghan resistance movement.

Last month, Premier Zhao Ziyang said China would try to prevent its arms exports from being diverted to Iran.

An Arab source in Beijing, citing Chinese leaders, said China had decided to launch what he called "a serious investigation" to identify any third country that might have passed Silkworms on to Iran.

Washington earlier this year accused Beijing of delivering 30 Silkworms to Iran, and informed Western sources in the Chinese capital said Chinese weapons were being transitted to Iran via North Korea, Hong Kong and Singapore.

Silkworms, which are deployed in China for coastal defence, are derived from a Soviet missile and can carry a 450-kilogram (1,000-pound) warhead up to 100 kilometers (60 miles).

**Commentary on U.S. Attack on Oil Platforms**  
*NC222228 Beijing in Persian to Iran 1800 GMT*  
**22 Oct 87**

[Unattributed commentary entitled: "A Definite Fore-runner of a Clash Between the United States and Iran"]

[Text] On 19 October, four U.S. warships attacked two oil platforms within [word indistinct] km of Iranian waters with a volley of fire. One of the platforms, as well as military equipment which was alleged to include radar systems, was destroyed. This is a definite precursor of a direct clash between the United States and Iran and has become a source of immense international attention and apprehension.

The events leading up to this incident began on 16 October, when a Kuwaiti tanker flying the U.S. flag was set on fire in a missile attack. The United States suspected Iran of firing the missile. Therefore it resorted to military retaliation. Kuwait is a third country as regards the Iran-Iraq war. An attack on its tanker by a foreign missile, regardless of who was responsible, is unlawful and should be condemned. On 16 October, Iran denied that it had fired the missile. The United States said it would send investigators to the tanker that had been attacked, so that it might ascertain to whom the missile belonged. But even before the results of the U.S. investigation were known, the attack on the Iranian oil platforms took place.

It is obvious that this incident has deeper causes. Ever since 22 February [as heard], when the escort of 11 Kuwaiti tankers by the U.S. Navy commenced, direct armed clashes have taken place between Iran and the United States. On 8 August, the U.S. fighter planes fired a missile at Iran's fighters, but missed their target. On 21 September, U.S. helicopters once again ambushed an Iranian vessel and eventually sank it. On 8 October, U.S. helicopters damaged or sank three Iranian patrol boats. The latest attack on the Iranian oil platforms is the fourth U.S. attack on Iranian installations. White House officials repeatedly play down the possibility of U.S. involvement in military clashes, but the recent incident has made it more likely.

The United States has reiterated that its objective in escorting Kuwaiti tankers is the protection of the security of the Persian Gulf. In fact, this step has made the situation in the Persian Gulf more critical and complicated. Now the United States has assembled the largest concentration of its forces to be deployed outside the country since the Vietnam war, and is constantly entering into direct armed encounters. For this reason, even U.S. public opinion is asking the question: Where will U.S. policy on the Persian Gulf eventually lead?



Two trends can be observed in the Persian Gulf issue at present. First, an effort is being made to seek a political settlement and implement UN Security Council resolution 598, to bring about an immediate ceasefire between Iran and Iraq; second, the Iran-Iraq war and conflicts between Iran and the United States have escalated. People are concerned because the U.S. attack on the Iranian vessel last month and the latest attack on the Iranian oil platforms took place at a time when the diplomatic activity of the UN secretary general in order to implement resolution 598 had reached a critical stage. Following the attack on its oil platforms, Iran announced that it would avenge the U.S. attack. The United States, for its part, announced that it was preparing a powerful attack to counteract Iranian military operations. If the two sides embark on military action in a spirit of revenge the situation in the Persian Gulf will become much worse and will militate against the implementation of resolution 598.

The people are awaiting a swift end to the war in the Persian Gulf, a political rapprochement, and peace in the Gulf region. Whether it is the United States and Iran, or Iran and Iraq, all concerned should exercise restraint and patience. They should suspend military operations, so that they do not continually fan and spread the flames of war. None of the parties can attain a real military victory. Only the cessation of hostilities and the quest for a political solution would be the correct course of action.

**Ni Zhifu Receives Palestinian Delegation**

*OW152122 Beijing XINHUA in English 1732 GMT  
15 Oct 87*

[Text] Beijing, October 15 (XINHUA)—Ni Zhifu, member of the Political Bureau of the Chinese Communist Party Central Committee and president of the All-China Federation of Trade Unions, met and feted here this evening a delegation from the Palestinian workers' general federation led by Muhammad Mahmud Abu al-Layl, assistant secretary general of the federation.

**Ji Pengfei Meets Pakistani Delegation**

*OW211307 Beijing XINHUA in English 0828 GMT  
21 Oct 87*

[Text] Beijing, October 21 (XINHUA)—Chinese State Councillor Ji Pengfei met here today a delegation from the administrative staff college of Pakistan led by Naeem Aslam, an instructor at the college.

The visitors arrived here Sunday on an investigation tour of China's educational structure as guests of the Chinese people's association for friendship with foreign countries.

**Sub-Saharan Africa**

**Hu Qili Meets Madagascan Revolution Group**

*OW161344 Beijing XINHUA in English 1308 GMT  
16 Oct 87*

[Text] Beijing, October 16 (XINHUA)—Hu Qili, member of the Political Bureau of the Chinese Communist Party (CPC) Central Committee and member of the

secretariat of the CPC Central Committee, met a delegation from the vanguard of the Madagascan revolution led by Georges Thomas Indrianjafy, member of its Political Bureau.

On behalf of the CPC Central Committee, Hu extended a warm welcome to the Madagascan delegation.

Hu Qili expressed his satisfaction with the development of the friendly relations of cooperation since the two parties established relations in 1981.

The delegation's current visit to China would further promote the friendship between the two parties and the people of the two countries.

Georges Thomas said that they have come to strengthen the existing friendly relations between the two parties.

He praised China for its achievements in its reform and opening to the outside world. The visits in rural and urban China have left a deep impression on the delegation, he added.

**Zhang Aiping Hosts Malian Defense Minister**

*OW221835 Beijing XINHUA in English 1407 GMT  
22 Oct 87*

[Text] Beijing, October 22 (XINHUA)—Zhang Aiping, Chinese state councillor and minister of national defense, held a banquet here today in honor of a Malian military delegation led by Minister of National Defense Sekou Ly.

This afternoon, Zhang Aiping held a welcoming ceremony for the delegation.

**Li Xiannian Meets Mauritanian Official**

*OW211347 Beijing XINHUA in English 0919 GMT  
21 Oct 87*

[Text] Beijing, October 21 (XINHUA)—Chinese President Li Xiannian met today with Mohamed Ould Sidya, permanent secretary of the Military Committee for the national salvation of Mauritania, and his party.

Taking about the questions of peace and development, Li said people in the present-day world are for peace. It is a desire shared not only by people of the developing countries, but also by those in the developed regions of the world.

Li spoke highly of the Mauritanian people's achievements made under the leadership of Sid' Ahmed Taya, chairman of the military committee for national salvation, and of Mauritania's good relations with other African countries.



Sidiya told Li that Mauritania's "friendship harbor," built with Chinese aid, will soon go into operation. The harbor is symbolic of the friendship between the two countries, he said.

At the meeting, Sidiya handed Li a personal letter from Taya.

### West Europe

**Li Peng Meets Volkswagen Board Chairman**  
*OW220649 Beijing Domestic Service in Mandarin*  
1600 GMT 19 Oct 87

[Text] Vice Premier Li Peng met with the chairman of the Board of Directors of the Volkswagen Automotive Company from the Federal Republic of Germany and his party on the afternoon of 19 October at Zhongnanhai.

In 1984, China and the Volkswagen Automotive Company of the Federal Republic of Germany established a joint company in Shanghai to produce (Fangtana) cars. Li Peng said: We chose the Volkswagen Automotive Company for this cooperative project because you are rather open-minded in technology transfers. We take a supportive attitude toward your open-mindedness. It is hoped that the Volkswagen Automotive Company will be more open-minded so that China is able to quicken its pace toward the goal of making its own automobiles and raise the quality of its production as early as possible.

**Radio Beijing Interviews UK Trade Secretary**  
*OW210831 Beijing in English to North America*  
0300 GMT 20 Oct 87

[Text] The British Trade and Industry Secretary says the Chinese Government has done quite well to help reduce the costs of doing business for British firms operating in China. The secretary, Lord Young, has just arrived on a week-long visit to China. He spoke with Radio Beijing's (Wei Liang). The British Secretary says he has come to China this time to look [for] opportunities to promote trade between Great Britain and China.

[Begin Young recording] I have been to China a number of times now and each time, wherever I have been, we have seen a continual buildup in the amount of business we have done, both of sales of British projects into China, and, of course, of exports of Chinese manufactured goods to the United Kingdom. [end recording]

During his trip, Lord Young will meet with dozens of British business people involved in joint ventures and other commercial enterprises. He says he is hearing fewer complaints about fees, such as cost of office space.

[Begin Young recording] When I was here last time, there was a problem of the cost of accommodation and the level of rents. That was certainly a complaint which

many business people sent to me, and they were complaining about the cost of keeping offices going in Beijing at a time, of course, when to do business takes some time as measured in years, rather than months. But this time when I come I have found those complaints have tended to diminish. So I think there is now more provision of space for office accommodation and residential accommodation in Beijing, and now the rents, I believe, are even declining a little, and so I find no complaints on that side. Of course, there is no doubt there are day-to-day problems, but they would only give me the sort of general (?headaches). That was the only complaint that they have had and, in fact, I have found people reasonably satisfied. [end recording]

The British trade and industry secretary says he understands that the Chinese Government has had to conserve its limited foreign exchange reserves, and that, he says, has meant a reduction in business opportunities. However, Lord Young says the British people are still doing quite well in China.

[Begin Young recording] And I am actually reasonably satisfied that we are getting our fair share, not slightly more than our fair share, because the projects are getting ahead fairly well. But, of course, there are always difficulties whenever you deal in another part of the world, particularly in projects that are in a different language. But by and large, I think I have found our people over here not dissatisfied at all. [end recording]

The return of Hong Kong to Chinese sovereignty in 1997 is expected to have a significant impact on the development of Sino-British trade. Lord Young says he thinks trade between the two countries will continue to grow.

[Begin Young recording] The historical accord on the future of Hong Kong was a very great step forward. The fact that the Chinese Government has said that for 50 years Hong Kong will continue under its present regime has, I think, certainly settled down matters in Hong Kong. There is a great deal of business which British companies do with China through Hong Kong, as well as an amount of trade which they do direct. And I would expect to see both continue after 1997. [end recording]

Lord Young says he sees the British effort to develop trade with China as a long-term policy.

[Begin Young recording] [Words indistinct] some time ago, in the United Kingdom but I saw our effort in China building toward a business relationship for the year 2000. It is a long-term relationship we see as something which will build up as the years go by, that many businesses, British businesses, in China are here to stay, as some have associations going back many decades. Many of the companies that I [words indistinct] on my first mission and some subsequently were working in China a hundred years ago, and they all have the intention of working here in a hundred years time. [end recording]

Lord Young says he is impressed by the speed of the changes that are taking place in China.

[Begin Young recording] I have been very impressed everytime I have come. It is my fourth visit now in just under 3 years. And everytime I come you can see the difference. You can see that China each time takes large

steps forward in becoming more developed, and the open-door policy is really working. What I would expect to see over the years—this is one of the ways in which we can help—is, over a period of time, that of China-produced manufactured goods and services which go up the market [as heard], and which get more technical and more sophisticated, the quality is improved. And then they start to look at different markets around the world, and you can see this beginning to happen already. [end recording]

## Nation Prepares for 13th CPC Congress

### Paper Cites Goals

OW231214 Beijing XINHUA in English 1139 GMT  
23 Oct 87

[Text] Beijing, October 23 (XINHUA)—The 13th National Congress of the Chinese Communist Party, starting on Sunday, is a major political event as it will address the vital issues of speeding up the current reforms and opening to the outside world, says an article in the latest issue of the English language weekly *"Beijing Review"*.

The article says that the congress, which is expected to set China's future course, will sum up the experience gained in reform and opening up since the Third Plenary Session of the 11th Party Central Committee of late 1978, define the guidelines for future economic development and the economic and political restructuring, and elect a new central leadership.

Compared with nine years ago, the situation in China today is remarkably changed. Gross national product, state revenue and the average income of the people have all doubled. The national economy, which was seriously off balance previously, has now embarked on the path of balanced development.

It can be said these nine years have seen the fastest growth of economic strength and the fastest improvement in people's living standards since the birth of New China in 1949.

The generally acknowledged and encouraging changes in China are the result of implementing the political line of building socialism with Chinese characteristics, with the Chinese people rallying around the party and government.

This political line consists of a pivot: economic construction; the two basic points: upholding the four cardinal principles (i.e., the socialist road, Communist Party leadership, the people's democratic dictatorship, and Marxism-Leninism and Mao Zedong Thought), and persisting in reform and opening up. These two basic points are inter-related and inter-dependent.

The reform has broken down the original rigid economic structure. With the establishment of the special economic zones, the open coastal cities and the coastal economic development areas, a new pattern has been set up and it is helping to spread openness gradually to the hinterland.

The congress will make a theoretical elaboration of major issues such as China's primary stage of socialism and the vigorous development of a planned commodity economy. China is building socialism on a semi-feudal and semi-colonial basis. Its productivity is far lower than that of the developed capitalist countries. This dictates

that China must go through a long stage of primary socialism. This has two major implications: China is a socialist society which must be adhered to and not deviated from; at this stage of China's socialism economic construction is the central task as it is absolutely necessary to boost productivity. This stage will be extended from the mid-1950's when socialist transformation of the ownership of the means of production was basically accomplished to the middle of next century when China will have reached the level of a medium-developed country. These are China's actual conditions on the basis of which China has formulated its line and policies.

China's present task of deepening the reform of the economic structure is set on the principle of separating ownership from management in order to boost state-owned enterprises and, based on this, of carrying out complementary reforms of the structures of planning, investment, materials supply, financing, and foreign trade, gradually establishing a new structure for the socialist commodity economy.

Economic reform requires corresponding reform in the political structure. The congress will draw up a blueprint for this.

China's socialist political system is on the whole sound, but there are major defects in the actual leadership system, organizational forms and working methods—as manifested in the over-concentration of power, debilitating bureaucracy and other remnant feudal influences.

Through reform, China will eventually establish a socialist political system which is highly democratic, legally perfect, efficient and dynamic.

China's immediate goal for reform is to establish a system of leadership that helps raise efficiency, increase vitality and motivate enthusiasm in all quarters, and to overcome bureaucracy and the influence of feudalism.

The tasks for political restructuring include: separating party and government functions; delegating more power to the lower levels; revamping government organizations and cadre and personnel systems; establishing a system for public consultation and dialogue; perfecting the basic system of socialist democracy; and strengthening the legal system. It is expected that the congress will work out principles and methods for all these reforms.

In the spirit of promoting cadres who are revolutionary, better educated, professional and younger to leading posts, the congress will elect a new party Central Committee which in turn will elect its Political Bureau and the Standing Committee of the Political Bureau of the Central Committee. It is expected that the new central leading body will be composed of younger and more vigorous people.



### Members Express Hopes

OW220453 Beijing XINHUA in English 0051 GMT  
22 Oct 87

[Text] Beijing, October 22 (XINHUA correspondents)—Many Chinese Communist Party members in the country's capital hold high expectations for the party's 13th National Congress which will open on October 25.

Among their strongest expectations are, "accelerating reforms", "speeding up the recruitment of younger officials", "separating the party's work from government work", and "opposing disruptive social activities."

The major subjects of the congress are being discussed not only by the party members here in Beijing, but also by other local residents who have learned of them from the radio, television and newspapers.

An official from the municipal party committee said the opinions of party members and other citizens will be submitted to the party congress through local delegates. It has been learned that many people have written letters directly to the relevant departments of the party Central Committee to voice various suggestions.

These days, the 61 delegates selected out of the more than 800,000 party members in Beijing are busy receiving local party members and people to hear their opinions and proposals.

Lin Xiuzhen, a delegate and general manager of the "Xinxin Garment Company", told *Xinhua* in a telephone interview that, "This congress has an arduous task, but I am fully confident about its success."

Lin, 49, attended a 5,000 strong party-member discussion on the first draft of the work report to the congress. She said, "I found the majority of the party members' views correspond with those of the Central Committee and in think this is a decisive factor for making the congress a success."

Xu Xiaochun, director of the Beijing Print and Dye Factory, said that the theory on the elementary stage of socialism to be elaborated by the congress will greatly promote the smooth development of the country's reforms.

He said, "The deepening and accelerating of reforms will be impossible if we do not break through the old and ossified thinking and theories," adding that, reformers are badly in need of support and theoretical guidance.

The 55-year-old factory director is one of the outstanding enterprise leaders having emerged in the course of the management responsibility system introduced in recent years. He helped his factory, which has 3,200 employees, turn its business around in less than one year.

Xu said people have benefitted economically from the reforms over the past nine years, but many of them lack the understanding of the complexity of the reforms and the difficulty in implementing them.

He said there are risks in reforms, and people cannot expect every reform to bring about a direct benefit to each person. "I hope the party's national congress will explain this clearly to the people," he said.

Wang Wenquan, 52, party secretary of the Beijing Lamp Factory, said he hoped the coming congress will, in particular, list the separation of party work and governmental work as an important item on the political reform agenda.

Wang was the factory director from 1980 to 1984 and became a party secretary in 1985. He was known as a "wise secretary" for not meddling in administrative affairs in the factory. "What's the use of a factory director if the party secretary handles all the affairs of the factory?" he said, adding that he had had difficulty before because, as a factory director, he was unable to control the officials appointed by the party committee.

Qiao Youjun, a 44-year-old subdistrict official, hoped that lower-level organizations such as the subdistrict offices will be given greater power so that they will be able to solve concrete problems.

Subdistrict offices are grassroots government organs in the Chinese cities, which take care of almost all the aspects pertaining to citizens' daily lives.

Qiao complained that some officials in higher-level government organizations leave some difficult problems to the subdistrict offices. "They regard the subdistrict office as a basket to hold everything. But they meddle in many affairs which should be handled independently by the subdistrict offices," he said.

Jiang said that although there are only a few such officials, they seriously harm the party's reputation and the current reforms. She hopes that the party congress will lay out rules to expel corrupted members and officials who try to use power for personal gain.

Chen Mingying, a retired cadre, held that the congress should not only summarize reform achievements, but also make clear the difficulties and problems arising in the process of reform.

This party member, who joined the party 45 years ago, is especially concerned about the rejuvenization of the party's leadership. Speaking out of her own experience, she said only rejuvenation will enhance the vitality and work efficiency of party organizations at all levels.

Chen said that she expected to see more young faces among the new party leadership to be elected at the congress. However, she also wished that the most respected veteran leaders would remain at certain positions to play their role.

#### Preview of Congress, Coverage

HK230159 Hong Kong SOUTH CHINA MORNING POST in English 23 Oct 87 pp 1, 2

[By Terry Cheng and David Chen]

[Excerpt] The Chinese Communist Party's draft report to the 13th National Congress stipulates that the "early stage of socialism" will last for 100 years—until 2056.

The theory of an "early stage" of socialism elaborated in the political report will allow the party to adopt more flexible measures in the meantime, without being accused of taking the capitalist road the *South China Morning Post* learned yesterday.

The "early" phase began in 1956, when China completed [a] socialist transformation movement to lay a foundation for the construction of socialism.

And it will end nine years after the promised 50 years of no change for Hong Kong after China assumes sovereignty in 1997.

The draft report, which provides a comprehensive ideological framework for the current reforms, touches upon the "one country, two systems" theory, but there is no mention of Hong Kong developments.

There may, however, be a few words about the attitude towards Taipei's recent decision to allow family visits to the mainland.

Meanwhile, nearly 2,000 congress delegates will take part in a preparatory meeting in Beijing this morning to elect the presidium and approve the agenda of the congress, which begins on Sunday.

After the meeting, party officials will hold a press conference for the 400 journalists, both foreign and local, who have already gathered in the capital for the occasion.

This will be the first time in the history of the party that its congress is open to the press, including several reporters from the Soviet Union.

Beijing also offers a welcome to Taiwanese journalists, some of whom earlier indicated interest but have not actually applied.

Foreign diplomats are not invited.

The congress will open in the Great Hall of the People on Sunday when the Acting General Secretary, Mr Zhao Ziyang, will present the 35,000-word work report.

Besides discussing the separation of party and government functions and the overhaul of government apparatus, the document will dwell on ways to improve consultation and dialogue.

The report, taking up more than 40 pages, has undergone six revisions and is divided into seven parts. It will be published in several foreign languages.

Much about the congress, such as its theme and forthcoming personnel changes, is common knowledge but the event still attracts keen world interest, and part of the congress procedure will be televised in China and around the world.

The congress is expected to last for more than a week.

Immediately afterward, the new Central Committee, which is expected to comprise more younger members, will convene for its first plenary session to elect members of the Politburo, its Standing Committee, the Central Advisory Commission, the Central Discipline Inspection Commission, and the Secretariat.

Meanwhile, the director of Hong Kong's *New China News Agency*, Mr Xu Jiatusun, has returned from Beijing for a day or two to entertain several local personalities and will fly to Beijing either today or tomorrow in time for the opening. [passage omitted]

#### Live Radio, TV Coverage

HK230027 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1037 GMT 22 Oct 87

[Excerpts] According to a report from Beijing, an open posture will be adopted toward news coverage of the 13th CPC Congress, which opens on Sunday.

Informed sources in Beijing have stated that the Beijing Central Television and Radio Stations will broadcast live the political report to be delivered by acting General Secretary Zhao Ziyang at the opening of the congress on 25 October. This is unprecedented.

It is also unprecedented for the official news media to give the date of the congress and to report on the progress of preparatory work before the party congress formally opens.

This is also the first time that journalists from foreign countries and Hong Kong and Macao have been allowed to cover a party congress. [passage omitted]

A report says that during the congress, PRC domestic newspapers will carry deputies' speeches on a selective basis and will also report on the discussions held by the

different delegations. This will become a "window" through which journalists from foreign countries, Hong Kong, and Macao can find things out about the congress.

#### **Delegations Arrive**

OW230241 Beijing XINHUA Domestic Service  
in Chinese 0209 GMT 22 Oct 87

[Text] Beijing, 22 Oct (XINHUA)—Today delegations from other localities have begun to come to Beijing for the 13th CPC National Congress.

The first to check in for the congress was the Shanxi delegation. The train carrying this delegation arrived in Beijing a little past 0600 this morning. It was followed by the Nei Monggol and Henan delegations.

After 1000, the first delegation to come by plane, the Fujian delegation, arrived in the capital. Following that, the planes carrying the Guizhou, Sichuan, Xizang, and Guangxi delegations landed at the airport.

Members of the delegations of the departments under the CPC Central Committee, the central state organs, the PLA in Beijing, and the delegation of Beijing Municipality have also started to check in with the congress today.

#### **Report on Current Status of Party Style**

OW220651 Beijing XINHUA Domestic Service  
in Chinese 0703 GMT 17 Oct 87

[(Consolidated report: "Establish a Good Party Style Amidst Reform and Opening"); all '(subhead)' notations supplied by XINHUA]

[Text] Beijing, 17 Oct (XINHUA)—What progress have we made since the 3d Plenary Session of the 11th CPC Central Committee in straightening out the party style and correcting unhealthy tendencies? How should we analyze the current status of party style? On the eve of the convention of the 13th Party Congress, this reporter interviewed comrades of departments concerned regarding these problems of concern to both the cadres and the masses.

**The Achievements Over the Past 9 Years Are Inseparable From the Progress in Party Style Building (subhead)**

Since the 3d Plenary Session of the 11th CPC Central Committee, the entire nation has undergone profound changes, thanks to the implementation of the general policy of reform and opening. The great achievements resulting from socialist modernization over the past 9 years are inseparable from the achievements made by the party in power in party style building.

What results have we achieved in party style building?

With a thoroughgoing materialist spirit, the party Central Committee has brought order out of chaos, reversed the incorrect history, and reestablished the Marxist political, ideological, and organizational line.

At the end of 3 and 1/2 years of the nationwide party rectification campaign, the whole party has made progress in ideology, work style, discipline, and organization; the situation concerning serious impurity in three areas has improved; the whole party has gained important experiences in correctly handling inner-party contradictions and problems.

Unremitting efforts have been made in straightening out party style. The "three recruitments and three transfers system (recruiting workers, students, and cadres; and peasants being transferred to non-farming jobs, workers being transferred to cadres, and temporary workers being transferred to regular workers)", as well as the system for housing construction and distribution have been implemented. A number of important cases involving party and government organs and cadres who engage in businesses, set up enterprises, wantonly issue bonuses or prizes, spend public funds on banquets or personal gifts, or squander government funds have been investigated and handled; some corrupt elements have been purged from party ranks, thus purifying party organization.

The party's political discipline has been enforced; the four cardinal principles have been upheld; bourgeois liberalization has been opposed; feebleness and looseness on the ideological front have been overcome; and rampant bourgeois liberalization has been checked. All this has enabled the party to uphold its leadership and ensure the socialist orientation of the policy of reform and opening.

The economic structural reform has gained unswerving support and is making headway. The viewpoint that straightening out party style is incompatible with the reform and opening has been corrected. Cases involving those who exploit loopholes, under the cover of reform to disrupt the socialist economy or pursue private ends, have been investigated and strictly handled. Wholehearted support has been given to those comrades who sincerely devote themselves to reform. Assistance has been provided to those comrades who have made mistakes in reform because of their inexperience, in order to help them sum up experiences and encourage them to continue their efforts in advancing the reform.

The party Central Committee promulgated the "Guidelines for Inner-Party Political Life" and has formulated a series of regulations and systems which have played an important role in enforcing party discipline and strengthening inner-party supervision.



Education in party spirit and discipline has been widely carried out to enhance the quality of party members and beef up the party's fighting strength. A large number of advanced party organizations and outstanding party members have come to the fore.

Practice over the past 9 years has shown that party organs at all levels have done a lot of arduous work in straightening out party style and correcting unhealthy tendencies. A vast number of party members have displayed great enthusiasm, creativity, and practicality in reform, opening, and the four modernizations. They have forcefully promoted the development of the productive forces.

#### **Existing Problems in Party Should Not Be Neglected (subhead)**

Over the past a years, we have done a great deal of work and scored remarkable achievements in developing party style. Then why do the masses inside and outside the party still complain so much and often make sharp criticisms? This is because we do have some serious problems in party style: problems that merit our attention. After assuming leading posts, some comrades have gotten carried away, and they have done as they please. Once they have power in their hands, they pursue private interests. Standing high above the masses, they are divorced from the people and become overlords. Some of them cling madly to money, make use of loopholes in carrying out reforms, and undermine the cause of socialism. They have completely degenerated into worms in society, people who Lenin condemned as those who "do not care whether a single blade of grass remains as long as they themselves benefit." Some of them pursue the decadent life style of the bourgeoisie and become morally degenerate. These people seriously harm the interests of the state and the people, ruin the party's reputation, and prevent the open and reform policy from being smoothly carried out.

Why are some of the unhealthy trends and practices in our party not permanently corrected? Naturally there are many reasons. Here, we list some major reasons. On the one hand, it is because of our system, in which there is little division of work between the party and the government. Over a long period of time, there has been little division of work between the party and the government. The party often does things for the government, and takes care of everything. Party organizations have taken responsibility for many matters which are not really theirs, and at the same time they have not done well what they should do. They have interfered with so many things which are not their business that they have had no time to strengthen the party ideologically and organizationally and to improve party style. A bureaucratic style has prevailed in which "the party has failed to enforce discipline in the party." On the other hand, these unhealthy trends and practices are inseparable from the fact that we have not run the party rigorously. Here, we are faced with two questions: one is the fact that the

party has failed to strictly enforce its discipline. In dealing with these unhealthy trends of abusing one's authority to seek private interests, violating state laws and party discipline, and practicing corruption, some units and departments often merely conduct investigations without handling the cases or fail to handle the cases with a rigorous approach. They often do not severely handle cases for fear of offending or undermining relations with other people. They often become soft-hearted and handle cases leniently. The other question is: In recruiting new party members, some localities and units pay little attention to the quality of the candidates. They fail to carefully screen the candidates for party membership. As a result, some of the members admitted into the party fail to completely conform with the requirements for party membership.

#### **To Improve Party Style Is a Long-Term Task (subhead)**

Can problems of the ruling party with regard to its party style be solved? The answer is yes, because the party Central Committee has attached great importance to the work of rectifying party style, issued many important instructions, and adopted a series of strategic measures in this connection. The line, principles, and policies that have been in force since the 3d Plenary Session of the 11th CPC Central Committee represent the best interests of the vast majority of the people. This is the fundamental guarantee of our endeavor to strengthen party building and develop fine party style. Our party is a mature one. In general, our party is able to withstand all types of severe tests, struggle against all kinds of negative and decadent phenomena, and build itself well in the course of carrying out its struggles. In particular, following political restructuring and implementation of the policy of separating party functions from government administration after the 13th National CPC Congress, the party will definitely be able to enhance its capability to strengthen itself. Therefore, the fact that our party style will become better and better is an irreversible general trend.

However, this does not mean that we will be able to rectify party style and correct unhealthy tendencies with a single stroke. To carry out reforms and open to the outside world is a long-term task. Inner-party struggles against corrosive influence are inevitable. All this has decided the protracted nature of our efforts to develop our party style and requires that we develop our party style in the course of carrying out reforms and opening to the outside world. Right now, under new historical conditions, we must adhere to the principle that "the party must enforce strict discipline in the party"; pay attention to the central task as well as the two essential points; strengthen party building; and build a contingent of party members that is able to withstand severe tests in running the government and in implementing the reform and open policy. It is precisely for this reason that we must strengthen political and ideological education among party members and help party members improve

their quality in an overall manner. Under no circumstance should we relax our efforts in strengthening the party's political and ideological education. We must exert strenuous efforts, adopt flexible measures, and strengthen the party's ideological education systematically and with a scientific approach in close connection with the current ideas that are prevailing among party members. We must rigorously run the party. First of all, we must strictly enforce party discipline. Party members who refuse to accept the party's program or fulfill their duties as party members, and who lack revolutionary will, are not qualified for membership; those who remain incorrigible after repeated education should be persuaded to withdraw from the party and have their names removed from the party rolls. Necessary disciplinary action must be taken according to the party Constitution against those party members who have committed serious mistakes with grave consequences. We must resolutely expel degenerates from the party. We should expel all of them, and under no circumstance should we tolerate evil. At the same time, we must admit into the party those who have actively carried out reforms and made contributions to the four modernizations program and who are qualified for party membership and willing to act within the bounds of the party Constitution and party discipline. Only by doing so, will it be possible for us to bring into full play the role of the party as the vanguard of the Chinese working class and the role of the party organizations as militant bastions of the party, and to ensure that party members will play their exemplary vanguard role well in the course of carrying out reforms and opening to the outside world. We must strengthen democratic supervision, establish a perfect system for providing democratic supervision within the party, and ensure that party organizations and party members, particularly leading cadres who are party members, will act in line with the party's principles. We must prevent the emergence of various types of unhealthy tendencies and gradually achieve our goal of running the party with rules and regulations and the system adopted by the party.

**Importance of Democratic Supervision Stressed**  
*OW191003 Beijing XINHUA Domestic Service*  
*in Chinese 0738 GMT 18 Oct 87*

[Article by XINHUA reporters Zhan Xiang and Zhou Changxin: "Supervision, an Important Chapter of Democracy"]

[Excerpts] Beijing, 18 Oct (XINHUA)—History teaches us that powers must be properly supervised and that powers without supervision will corrupt.

China, after going through twists and turns, is attaching greater importance to the supervision of powers. Legal and administrative supervision and supervision by auditing, party discipline, the masses, public opinion, democratic parties, and social organizations are playing an every-increasing role in our life.

**Supervision Is a Demand of the Party [subhead]**

The CPC, whose goal is to serve the people wholeheartedly, does not allow any party member to place himself or herself above the masses. The party demands that the people promptly supervise whoever acts in violation of this goal. [passage omitted]

According to the provisions of the Chinese Constitution, all state organizations and functionaries must accept the people's supervision. The CPC Constitution stipulates that every party member, regardless of position, must be supervised by the masses inside and outside the party. In our endeavor to promote socialist democracy, more and more people have fostered a sense of supervision. Statistics of Beijing Municipality show that of the 40 major and serious cases directly investigated by the Discipline Inspection Commission of the municipal party committee last year, 19 were brought to light by the masses in person or through letters.

Incomplete statistics from all provincial, municipal, and autonomous regional bureaus, departments, and offices dealing with petitions and visits from the people indicate that some 1.39 million petitions and visits were handled in 1986. A considerable portion of these petitions and visits were related to supervision over party and government work and functionaries.

Moreover, new democratic practices, such as telephone calls to the mayor, masses' reception days, and public opinion polls, have made it possible for ordinary people to regularly and smoothly reflect their opinions and wishes to party and government leading organs.

**Supervision Should Go Hand in Hand With Democracy [subhead]**

Feng Zhijun, vice chairman of the China Democratic League, pointed out that along with the progress in promoting socialist democracy, the function of supervision has been greatly strengthened, and that strengthening of supervision has become an important step in the course of promoting socialist democracy. He is absolutely correct. The establishment of a political system with a high degree of democracy is inseparable from supervision, while the strengthening of supervision is dependent on the exercising of democracy.

In continuously perfecting its functions, the NPC and its Standing Committee, as the highest organ of state powers, have scored remarkable achievements in improving legislative work and legal supervision in recent years. In order to promptly relay the voices and demands of the masses, inspection by NPC deputies, who carry the certificate, has become a system in many localities. The suggestions and proposals, totalling some 4,730, made by NPC deputies and CPPCC members during and after the Fifth Sessions of the Sixth NPC and the Sixth CPPCC National Committee this year, have received due attention from relevant departments. They have set up a



responsibility system and have so far handled over 2,000 suggestions and proposals. In recent years, 95 percent of the suggestions and proposals have been answered.

Democratic evaluation is a new practice introduced to the people only a few years ago. The staff members and grass-roots cadres of the Posts and Telecommunications Ministry have evaluated the political integrity and professional competence of its department and bureau directors. An evaluation conducted last spring revealed that among 48 department- and bureau-level cadres, 6 were rated as outstanding, 40 competent and basically competent, and 2 incompetent. Based on the evaluation, the ministry readjusted its leading cadres at the department and bureau levels accordingly.

The power of supervision by public opinion, which has a special effect, is often hard to estimate. Last September 23, *Renmin Ribao* published a letter from readers, "We Are Obstructed for Our Lawful Investigation of a Case;" a reporter's investigative report, "After a Warrant of Arrest Is Issued;" and an editor's note, "Don't Use Power and Influence To Make a Mockery of Law," which aroused strong public repercussions. The articles dealt with a serious problem concerning Tong Yun, Standing Committee member of the Shanxi Provincial Advisory Commission and former deputy secretary of the Taiyuan City party committee, who, in order to shield his criminal son Tong Xiaohai, obstructed and interfered with public security personnel in performing their duty. The central authorities and Shanxi provincial departments concerned paid serious attention to this matter. The Shanxi Provincial CPC Committee's Discipline Inspection Commission dispatched personnel to investigate the problem involving Tong Yun. Based on the investigation results, on 7 October the Shanxi Provincial CPC Committee decided to expel Tong Yun from the party. The Taiyuan Intermediate People's Court on 9 October delivered the final verdict on Tong Yun's son Tong Xiaohai, who was sentenced to 14 years in prison. Expressing indignation toward Tong Yun's behavior, hundreds of readers wrote letters to *Renmin Ribao*, which set up a special column called "Law Must Be Observed and Its Enforcement Must Be Strict" to publish letters regarding the Tong Yun incident. [passage omitted]

#### It Is Necessary To Improve the System of Supervision [subhead]

A system of supervision in all fields, at various levels, and from different angles has been gradually formed in China. Various forms of supervision are exerting growing influence on national political and economic activities.

Marked progress has been achieved in China's legislative work since the 3d Plenary Session of the 11th CPC Central Committee, and a socialist legal system with Chinese characteristics has taken shape. We may say that

there are laws to follow in the basic and principal aspects of China's national political, economic, and social life, and that the laws have provided an effective guarantee for exercising supervision.

The principles of "long-term coexistence and mutual supervision" and of "treating each other with all sincerity and sharing weal and woe" have enriched and developed the united front of multi-party cooperation led by the CPC. Some democratic personages have pointed out that perfection of the multi-party cooperation system will give democratic parties more opportunities to take part in state affairs, as well as broaden their vision and increase their awareness. In exercising effective supervision, democratic parties need to be well versed in specialized knowledge in all fields and to conduct meticulous investigation and scientific verification. Therefore, they must further improve themselves in order to exercise supervision.

The party's discipline inspection departments at various levels have done tremendous work in combatting bureaucratic attitudes and investigating party members and party member-cadres who abused their powers and positions to harm the interests of the masses and impede the reform and open policies. In the past 4 years since its inauguration, the State Auditing Administration, along with auditing organs at various levels, have uncovered cases of financial and economic discipline violations involving a total of 25 billion yuan, of which 7.5 billion yuan should have been delivered to the state. The administration has been hailed as an "economic doctor" who "cures" as well as "prevents diseases." There are 43,000 auditors throughout the country. Party committees, people's congress standing committees, and people's governments above the county level across the country have employed a total of 33,000 full time cadres to handle petitions and visits from the people and maintain close contacts with them.

The Ministry of Supervision, which was revived and established not long ago, will exercise effective supervision over state administration organs and their functionaries at all levels. The ministry has already launched its work in the course of getting itself organized. Preparations are being stepped up for establishing local administrative supervisory organs at and above the county level.

China's supervisory organs and supervision system are gradually being perfected. We may anticipate that along with the invigoration of democratic life, democracy will be further developed, and the Chinese people will make new strides in exercising supervision over powers.

#### Discussion of 'Separation of Three Powers'

HK231331 Beijing LILUN YUEKAN in Chinese No 9, 25 Sep 87 pp 46-49

[Article by Zhao Baoyun (6392 1405 0061) and Li Shijun (2621 0013 0971) from the politics teaching and research section of the Xian Armed Police Technology Institute: "The Historical Evolution of 'Separation of Three Powers' and Whether it Suits Our Country's National Conditions"]

[Text] The development of the theory and system of



"separation of three powers" in Western capitalist countries has a history of some 200-300 years. Over the past 200-300 years, the bourgeoisie has gradually developed from a revolutionary class striving to grasp state power into the ruling class which controls state power. Capitalist society has also developed from the stage of free competition to the stage of monopoly. Along with these developments, the bourgeois theory and system of "separation of three powers" has also experienced two historical evolutions.

Historical materialism holds that a theory or a system should be appraised according to its historical evolution. Therefore, the theory and system of "separation of three powers" should also be studied and appraised according to its historical evolution. Only by studying and appraising the theory and system of "separation of three powers" according to its historical evolution will we be able to scientifically bring to light the class nature of the theory and system of "separation of three powers." There are now a few young people in society who blindly worship the system of "separation of three powers," partly because they lack complete understanding of the social and historical background as well as the historical evolution of the system of "separation of three powers." For this reason, this article will give a brief account of the social and historical background as well as the two historical evolutions of the theory and system of "separation of three powers."

#### I.

The theory of "separation of three powers" was formed in the 17th and 18th centuries as a result of the bourgeois struggle to oppose the feudal autocratic system and gain state power. The feudal autocratic system was characterized by centralized feudal monarchy. In order to oppose the centralized feudal autocratic system, bourgeois thinker John Locke first put forward the theory on separating the state power. Later, Montesquieu developed John Locke's theory. In his "On The Spirit of Law," Montesquieu explicitly pointed out that the state power should be divided into the legislative power, the judicial power, and the executive power. The three powers should not be exercised by one person or one organ, but should be exercised by three different organs in order to prevent a minority of people from arbitrarily manipulating the state power.

The original purpose of the bourgeoisie in putting forward the theory of "separation of three powers" was to smash the dictatorship of the feudal monarch and enable the bourgeoisie to legally seize part of the state power from the feudal aristocracy through separation of the state power. This includes the bourgeoisie-dominated Parliament passing laws restricting the power of the feudal monarch. The independent judicial organ can restrict the feudal aristocracy from taking illegal actions against the interests of the bourgeoisie. Obviously, the purpose of the bourgeoisie in putting forward the theory of "separation of three powers" before seizing state

power was to enable the bourgeoisie to share state power with the feudal aristocracy. Therefore, at that time, the "separation of three powers" was in essence the sharing of state power between various classes. Marx once sharply pointed out: "In a certain country, during a certain period, when the monarch, the aristocracy, and the bourgeoisie compete with one another for state power, the state power in that country is therefore shared, and the dominant ideology in that country is no doubt the theory of the separation of state power. So, the people there speak about the separation of power as the 'eternal law.'" (*Complete Works of Marx and Engels*, Vol 3, pp 52, 53)

Montesquieu not only put forward the theory of separation of state power but also put forward the exact form of government which implements the principle of the separation of state power. Montesquieu advocated the building of a bourgeois country, which is a constitutional monarchy based on the sharing of state power between the bourgeoisie and the feudal aristocracy. The constitutional monarchy established in Britain as a result of the compromise between the bourgeoisie and the feudal aristocracy after the British bourgeois revolution was a typical example of the form of government in which the "three powers were separated" and state power was shared between various classes.

The later development of capitalism gradually made the feudal aristocracy bourgeois. The convergence of the feudal aristocracy and the bourgeoisie enabled the bourgeoisie to grasp all the executive, legislative, and judicial powers of the state. Nowadays, even in countries that have maintained or have inherited the system of constitutional monarchy, the monarch has become a national leader who has no real powers, which means that he or she reigns but does not rule. As a result, the system of "separation of three powers" has become no longer characterized by the sharing of state power between the bourgeoisie and the feudal aristocracy.

Why has the bourgeoisie continued to implement the system of "separation of three powers" ever since it gained complete control of state power? This is because under the capitalist system of private ownership, on the one hand, there have been keen contentions for interests between various factions within the bourgeoisie, and on the other hand, there have been antagonistic contradictions between the bourgeoisie and the proletariat. Implementation of the system of "separation of three powers" has helped to mitigate and coordinate the two types of contradictions. This is because, first, implementation of the system of "separation of three powers" has enabled the various factions within the bourgeoisie to take the control of the three powers of the state in turn, has helped to balance the interests of the different factions within the bourgeoisie, and has helped to prevent the representative of one faction within the bourgeoisie from exercising autocratic rule and harming the interests of the entire bourgeoisie; second, implementation of the "separation of three powers" has helped to cover the fact

that only the bourgeoisie controls state power, with the superficial phenomenon of the separation of the executive, legislative, and judicial powers of the state, and has helped to cheat and fool the proletariat and the broad masses of the working people, divert the spearhead of the proletarian struggle against the capitalist system, and mitigate the class contradiction between the bourgeoisie and the proletariat. For these reasons, the capitalist countries continued to implement the system of "separation of three powers" when capitalism developed into the stage of free competition. However, we should see that implementation of the system of "separation of three powers" is in essence the division of state power among different factions within the bourgeoisie. Engels pointed out: "Such a separation of powers is nothing but division of the day-to-day routine work for the purpose of streamlining and supervising the state organs." (*Complete Works of Marx and Engels*, Vol 5, pp 224, 225)

The evolution of the system of "separation of three powers" from the sharing of state power between the bourgeoisie and the feudal aristocracy at the very beginning into the sharing of state power among various factions within the bourgeoisie was the first historical evolution of the system of "separation of three powers" since the emergence of the system. This historical evolution developed the system of "separation of three powers" from a weapon used by the bourgeoisie to oppose the feudal autocracy and achieve state power into a political system used by the bourgeoisie to safeguard the capitalist system and protect the governing position of the bourgeoisie.

## II.

After capitalism entered the stage of free competition, in order to comply with free economic competition, the bourgeoisie practiced democratic politics. Parliament had more influence in the political life of the state. The relationship among the legislative power, executive power, and judicial power of the state was mutually independent and mutually restrictive. Since capitalism developed to the stage of monopoly, the bourgeoisie's economic monopoly has replaced free economic competition. Politically, the bourgeoisie has replaced democracy with dictatorship, with the executive power overriding the legislative power and the judicial power. Since capitalism developed to the stage of monopoly, the mutually independent and mutually restrictive relationship among the three powers of the state in capitalist countries has been smashed.

Bourgeois political scientists have claimed the United States of America as the model country of implementing the system of "separation of three powers." However, in today's United States, the bourgeoisie is often seen using executive means to interfere with or take part in the legislative process. The U.S. Congress, which is the state legislative organ, has lost its real power as an independent legislature and has become an organ to register

government legislation. The main methods used by the U.S. Government to control Congress and take part in the legislative process can be seen in that: First, senior U.S. Government officials directly hold important positions in Congress. For example, U.S. law stipulates that the most important position in Congress—namely, the position of president of the U.S. Senate—should be held by the vice president of the United States, who also exercises the executive power. Second, the U.S. Government is directly involved in the legislative process. The U.S. Congress has become an organ that independently exercises legislative power in name only. In reality, the U.S. Congress has never really independently formulated or promulgated a law. U.S. law stipulates that no act passed by Congress can become law until the President approves them with his signature. And, as a matter of fact, when acts passed by Congress are submitted to the President for approval, they are often vetoed by the President because the President has the right to veto acts passed by Congress. According to statistics, between 1914 and 1970, the various U.S. presidents vetoed acts passed by the U.S. Congress 1,152 times. Third, the President has the right to propose bills, to which Congress should attach priority in its discussions. The various state of the union messages issued by the President often become the basis of legislation. For example, of the 1,074 bills that were voted by the U.S. Congress in 1968, 39 percent were originally proposed by the President. Fourth, implementation of the "entrusted legislative system" means that Congress only sets out the general principles concerning certain laws and the specific contents of the laws are formulated by the relevant departments of the U.S. Government. Implementation of the "entrusted legislative system" actually means that Congress has handed over its legislative power to the government and shows that the legislative power has been weakened and the legislative power has lost its independent position. Many bourgeois political scientists have also admitted this.

Just as Congress is controlled by the government and the legislative power has lost its independent position, the judicial power is also strictly controlled by the government and has also lost its independent position. In the United States, all the Federal Supreme Court justices are appointed by the President, who is the chief executive of the state, while the positions of chief procurator and deputy chief procurator, whose duty is to supervise the trials, are held by the attorney general and deputy attorney general. The relationship between the justices, procurators, and the U.S. Government shows that the courts and procuratorates in the United States are nothing but accessories of the government and are controlled by the government. Besides, the government also controls and manipulates the judicial power through the FBI's direct involvement in all the trials, because the FBI is under direct leadership of the U.S. Government Department of Justice.

However, we should remember that even if the courts were free from government interference and were able to independently implement the law, the legal basis for



implementation of the laws would still be formulated by Congress, which is controlled by the government. As a matter of fact, the so-called courts independently implementing the laws is nothing more than courts doing things according to laws formulated by the government and to the will of the government. So, it is impossible for the so-called independent judicial power to really play its role of restricting the government.

The abovementioned facts show that since capitalism entered the stage of monopoly, the system of "separation of three powers" has become nothing more than a political ornament and political duplicity and has lost some essential contents the system once had when it was first implemented. This is not only the outstanding characteristic of the current capitalist system of "separation of three powers" but also the second evolution of the system of "separation of three powers" since the emergence of the system.

### III.

From the above discussion on the emergence and historical evolution of the system of "separation of three powers," we can reach the following understanding:

First, the theory and system of "separation of three powers" played a historically progressive role in the collapse of the feudal society and at the initial stage of capitalism. This is because, first, the theory and system of "separation of three powers" first emerged as the opposite of the centralized autocratic feudal system and thus provided a theoretical basis for the bourgeois revolution; second, after the victory of the bourgeois revolution, when state power was shared between the bourgeoisie and the feudal aristocracy, the establishment of the system of "separation of three powers" once played a positive role in smashing the feudal forces' scheme of restoring the autocratic feudal system and consolidating the achievements of the bourgeois revolution. However, we should also see that the progressiveness of the system of "separation of three powers" has had its class limitations. Ever since its establishment, the system of "separation of three powers" has been stamped with the brand of the bourgeoisie, because under the system of "separation of three powers," state power was only shared among the various factions within the bourgeoisie and was not shared among the proletariat and the broad masses of the working people.

Second, after the bourgeoisie gained complete control of state power and when capitalism entered the stage of free competition, the system of "separation of three powers" became the division of power among various cliques, various political parties, and various factions within the bourgeoisie. In order to coordinate and balance the relations of interests among the various cliques, various political parties, and various factions within the bourgeoisie, prevent certain members of the bourgeoisie from arrogating all state power to themselves and exercising dictatorship, and safeguard the interests of the entire

bourgeoisie, the capitalist system of "separation of three powers" once contained some real contents and the relationship between the three powers of the state was, to a certain extent, mutually restrictive and mutually independent.

Third, since capitalism developed to the stage of monopoly, all state power has been controlled by a handful of elements of the monopoly bourgeoisie, who have also controlled the executive power of the state. As a result, the executive power of the state has been expanded and has developed to override the legislative power and judicial power. Thus, the system of "separation of three powers" has existed in name only and has become a political ornament lacking real contents.

Looking at the emergence and the two historical evolutions of the system of "separation of three powers," we have found that the progressive role of the system of "separation of three powers" has always been limited to achieving the state power for the bourgeoisie and safeguarding the class interests of the bourgeoisie. With the bourgeois revolution losing its progressive spirit, the system of "separation of three powers" has also lost its past progressiveness and has entered a blind alley.

Our country is a socialist state under the people's democratic dictatorship led by the working class and based on the alliance of workers and peasants. Article II of our country's Constitution explicitly stipulates: "All power in the People's Republic of China belongs to the people." This shows that in a socialist country, people will not allow any cliques or classes that oppose or try to change the socialist system to control state power; nor will people allow any cliques or classes to divide state power among various classes on the premise of the "separation of three powers." From this, we can see that the system of "separation of three powers," the essence of which is the division of state power among various classes, does not conform with the socialist system or to the national conditions of our country.

Establishment of the system of socialist public ownership of the means of production in our country has unified the fundamental interests of the whole Chinese people. Within the people, there are no such cliques or political parties whose fundamental interests are antagonistic to one another and which try to cheat and outwit one another; therefore, there is no need to divide state power within the people by implementing the system of "separation of three powers." The system of "separation of three powers," the contents of which are the division of state power among the various factions within one class, does not conform with the socialist system or to the national conditions of our country. This is the conclusion.

#### Vice Premier Tian Jiyun Inspects Anhui

OW181051 Hefei ANHUI RIBAO in Chinese 28 Sep 87  
p 1

[Text] "Anhui has a good situation, good conditions, and great potential." This was pointed out by Tian Jiyun, member of the Political Bureau of the CPC Central



Committee and vice premier of the State Council, while in Anhui on an inspection tour. During the inspection tour, he emphasized on many occasions that to further develop the excellent situation in the countryside, we must persist in reform, intensify reform, increase input, and do our best to push agricultural production, especially grain production, to a new level.

Vice Premier Tian arrived in Hefei on 21 September. On that afternoon he heard briefings by provincial party committee Secretary Li Guixian, acting Governor Lu Rongjing, and others on the second phase of rural reform in Anhui. The next morning, accompanied by provincial and municipal leaders, he inspected municipal projects in Hefei City and visited some commercial units. He expressed satisfaction with the city's municipal projects. In the afternoon, he had a meeting with heads and party secretaries of Fengyang, Mengcheng, Tianchang, Jinzai, Tongcheng, Wuwei, and Xiaoxian Counties and the Hefei suburban district. After attentively listening to reports on the new experience gained by these counties and districts in intensifying rural reforms and on the new situations and problems that have cropped up in the course of reform, he made an important speech. In his speech he pointed out: Agriculture, especially grain production, is a decisive factor which affects overall national economic development. We must recognize anew and deepen our understanding of this problem under the new situation. If the agricultural base and grain production are unstable, they will become significant obstacles to sustained and stable development of the national economy and will also hamper our reform efforts. The country, which has a population of 1 billion, will not be able to do anything if the food problem is not solved. Developing agriculture, especially grain production, is not only an economic question; it is also a political question which we cannot afford to ignore. He pointed out: Since the 3d Plenary Session of the 11th CPC Central Committee, rural reforms have mobilized the peasants' enthusiasm for production. In addition, the state has raised, by a relatively big margin, the procurement prices for farm and sideline products. The agricultural input made in the past has begun to yield benefits. Consequently, China's agricultural production, grain production in particular, has achieved tremendous progress and entered a new stage. The situation in agricultural production this year is also good; grain output will be higher than last year and relatively great progress has been achieved in diversified undertakings and rural enterprises. However, due to natural disasters, a drop in agricultural input in some areas, and lower returns on investment in growing crops, especially grain crops, grain production has stagnated in the past 2-3 years. This situation, if allowed to continue, will seriously hamper the entire national economic development. Therefore, we must recognize anew and deepen our understanding of the strategic importance of agriculture, particularly of grain production, in the national

economy. If we do not fully recognize and earnestly solve the problem of developing agriculture, especially grain production, we will be making a grave mistake in our work.

During the meeting, Comrade Tian Jiyun put forward some important suggestions on ways to accelerate agricultural development, especially grain production. He pointed out: It is necessary to persist in and intensify reforms, closely integrate reform and opening up with economic development, and incorporate rural reform with the comprehensive reform of the economic structure. In developing the rural economy, it is necessary to properly handle the relations between agricultural development and that of rural enterprises, between the development of grain production and that of diversified undertakings, between stabilizing cultivated areas and raising per-unit output, and between production and consumption. We must firmly increase agricultural input so as to build our capacity for sustained agricultural development. Efforts should be made to train more skilled personnel and develop agricultural science and technology.

From 23 to 27 September, accompanied by provincial party committee Secretary Li Guixian and deputy Governor Song Ming, Vice Premier Tian Jiyun inspected Anqing, Huizhou, and Wuhu Prefectures and Cities. He met many prefectural, city, county, and township (village) cadres and visited peasant families, inquired about the implementation of rural economic policies, their livelihood, and production, and encouraged them to prosper through hard work. In Tangkou Town, Huangshan City, Vice Premier Tian called a meeting of cadres of Shexian County and Tangkou Town. He asked in great detail about the people's livelihood, the work of rural cadres, and solicited opinions and suggestions from cadres and peasants on party and government work. He said: Rural cadres work on the first line of agriculture all year round and their work is heavy. After conveying greetings to rural cadres, he said: The township (village) government represents grass-roots political power in the countryside. Rural cadres at the grass-roots level are responsible for fulfilling the tasks of the party and government. At the same time, they must lead villagers in building material and spiritual civilization. Rural cadres are the bridge between the masses and the party and government; they are also the "window" through which the masses observe the work style of the party and the cadres. It is hoped that the vast number of grass-roots rural cadres will continue making achievements, constantly raise their political and professional standards, maintain even closer links with the masses, serve the people wholeheartedly, and lead the masses in building a new socialist countryside.

On the afternoon of 27 September, Vice Premier Tian Jiyun met responsible comrades of the province. He pointed out that the situation in Anhui is very good. Grain output has increased and tremendous progress has been made in diversified undertakings. Although the

province was relatively late in starting to develop rural enterprises, progress has been paid and industrial growth has been relatively high. Cadres at all levels have a good mental attitude, ideals, ideas, and vigor. He pointed out that not only is Anhui's situation good, it also abounds in resources above and under the ground. It has good conditions and great potential for development. He hoped that Anhui would do well in the following four areas:

1. Never neglect agricultural production. We must regard agriculture as the foundation and prosper through developing industry.
2. Make continued efforts to vigorously develop rural enterprises. In developing rural enterprises, we must not emphasize growth alone. Instead, we should be more aware of the need to improve efficiency and product quality. In raising funds for rural enterprises, we must rely mainly on ourselves and encourage the masses to pool their funds.
3. Speed up transportation and energy construction and improve information work.
4. Attach importance to the training of personnel and further implement the open policy. Developing the commodity economy requires skilled personnel, and skilled personnel promote the commodity economy. We must fully utilize all available skilled personnel and make vigorous efforts to train more of them. In opening to the outside world, Anhui must first open itself to the rest of the nation by introducing investments from the east and developing lateral ties with the west; that is, it must introduce skills, technology, and capital from eastern China and gradually extend ties to the west in order to further strengthen the province's economic vitality and strength.

#### **Wan Li Attends Award Presentation Ceremony**

OW220301 Beijing XINHUA Domestic Service  
in Chinese 1427 GMT 21 Oct 87

[By reporter Yang Ming and reporter-trainee Yang Jun]

[Excerpts] Beijing, 21 Oct (XINHUA)—This evening, Zheng Fengrong, the first Chinese woman to break the world high jump record, and her coach were given a golden badge commemorating the 75th founding anniversary of the International Amateur Track and Field Association, in front of a large picture showing Premier Zhou Enlai cordially receiving Zheng Fengrong before the premier's death. [passage omitted]

Vice Premier Wan Li of the State Council and noted personages in literary and art and sports circles attended the ceremony. Impromptu entertainment followed the ceremony.

#### **Minister Notes Employment, Labor Reform**

HK230342 Beijing CHINA DAILY in English 23 Oct 87  
p 1

[By staff reporter Dong Lisheng]

[Text] China had employed more than 5.9 million contract workers in State-run enterprises by the end of last month and taken measures to improve the use of workers

employed under the old practices, Zhao Dongwan, Minister of Labour and Personnel, told *China Daily* yesterday.

"These are the initial results of reforming the existing employment and labour systems," the Minister said.

In September 1986, the State Council issued four regulations for State-run enterprises using the labour contract system, which covered recruiting and firing workers and insurance for workers who have lost jobs.

The move is aimed at improving the existing employment system, under which workers can hold their jobs for life. Under the labour contract system, the worker signs a contract for a specific period of time.

To make better use of the workers employed under the old practice, some enterprises have rearranged work on the production lines.

"As this is a complicated task, we are experimenting in some areas. With the deepening of the economic reform, more steps will be taken in this respect," Zhao said.

The Minister said China is still under pressure from job seekers, as from 1986 to 1990, 6 million young people will enter the labour market each year.

In addition, many people will have to find new jobs because of labour reform and some rural people will also have to be offered jobs by the State, he said.

The Minister said in eight years to 1986, China found 62 million urban residents jobs, basically eliminating serious unemployment left over from the "cultural revolution." The unemployment rate was reduced from 5.9 per cent in 1979 to 2 per cent in 1986.

In this time, the ministry employed more than 1 million demobilized army officers, adjusted the distribution of scientists and technicians in the country and reassigned more than 1 million people with special skills to key areas, departments and the State key projects.

As a result of implementing the principle of lowering the average age of cadres, who are better educated and more professionally competent, the quality of government employees has been improved. Of more than 20 million cadres, 55.6 per cent have special skills, Zhao said.

Since 1979, the State has increased wages and salaries three times. In 1985, the government departments and institutions reformed the salary system by introducing the structure-salary system.

The average wage or salary of workers and employees increased by 1.16 times. [With]out taking price rises into account, the average wage or salary increased by 5.26 per cent each year from 1979 to 1986.



At the same time, the number of family members that a worker supports (including him or herself) decreased from 2.06 in 1978 to 1.72 in 1986.

**Air Force Cadres, Fighters Support Reform**  
*OW181305 Beijing XINHUA Domestic Service*  
*in Chinese 0640 GMT 16 Oct 87*

[By correspondents Wang Jiyun and Zhou Shancai and reporter Cai Shanwu]

[Text] Beijing, 16 Oct (XINHUA)—A recent poll conducted by the Air Force leading organ among over 4,000 cadres and fighters indicates that the idea of reform is well received among them, and that education regarding reform needs to be further strengthened.

The poll was conducted in the forms of answers on anonymous sheets and discussions among 1,371 cadres, 2,322 fighters, and 326 pilots.

The pollees voice a consensus that the reform has brought about remarkable changes to China and its Armed Forces. Their attitude toward the reform has changed from one with apprehension to that wishing the pace of reform be accelerated; their focus on the reform has been shifted from rural to urban areas. Now they view the reform from the long-range interests of the country and the PLA instead of from personal gains and losses as they previously did. In answering the question "how necessary do you think the reform is?" the overwhelming majority of the pollees said that it is "very necessary." They were especially pleased with the contracted responsibility in rural areas, the special economic zones and coastal open cities, the factory director-in-charge system, and the improvement of the legal system. In reply to the question about family living standards since the 3d Plenary Session of the 11th CPC Central Committee, 95.4 percent said that there has been a "relatively big improvement" or "improvement." As for the major reform measures taken by the Central Military Commission over the recent years in making a strategic shift in the guiding ideology of Army building, carrying out the structural reform and reduction-in-force reorganization, training personnel competent for both military and civilian construction, and coordinating Army and civilian quarters in jointly building spiritual civilization, the pollees expressed their unanimous support, regarding such measures as vital to adapting the PLA to the development of a new situation and promoting the construction of the Armed Forces.

The poll also indicates that a few cadres and fighters have confused ideas about the nature of reform because they fail to thoroughly understand concrete reform measures and the overall situation. Therefore, in conducting further education, the Air Force leading organ has decided to concentrate efforts on the following five aspects: 1) cadres and fighters should understand the protracted, complex, and arduous nature of reform; 2) misunderstanding of the concrete reform measures

should be corrected by further integrating theory with practice; 3) a more systematic education on the political structural reform should be carried out among Air Force units; 4) cadres and fighters should adopt an overall point of view and correctly handle personal gains and losses in the reform; and 5) cadres and fighters should also correctly assess the situation and characteristics of the reform being carried out in the PLA.

**Theory and Practice of Financial Reform**  
*HK221540 Beijing RENMIN RIBAO in Chinese*  
*12 Oct 87 p 5*

[Article by Zhu Tianshun (2612 1131 7311): "Theory and Practice of China's Financial Reform"]

[Text] Changes in China's Financial Structural Patterns  
[subhead]

The financial reform is an important component of the economic structural reform. In the course of the economic structural reform, people have increasingly realized that finance serves as a pivot in national economic activities and as an important regulatory means.

The financial reform conducted in China since the 3d Plenary Session of the 11th CPC Central Committee has been aimed at transforming the previous account-and-teller-type financial system into an economic-and-technological-lever-type one and at serving the socialist commodity economy more satisfactorily. To put it briefly, the financial reform is the change in the two financial patterns. More specifically, there are six aspects:

First, the change from the unitary to multiple banking functions. In the past, banks in China only handled such things as taking deposits, making loans, and exchanging money. Taking deposits refers only to financial deposits, enterprise deposits, and saving deposits by residents; making loans refers only to the granting of operating funds to state enterprises and a number of collective enterprises (large collectives); exchanging money also refers mainly to methods of settling accounts, such as collection of payments and acceptance of bills. With the reform of the economic structure and the development of the commodity economy, we have constantly expanded our banking business. We have gradually increased our business items, such as technological transformation credits (medium- and short-term equipment credits) and capital construction credits, fixed deposits by units, and deposits by self-employed industrial and commercial households, as well as trust, consultant, and leasing businesses; the savings business has also become more varied. At present, with the development of commodity, labor services, and financial transactions, as well as the formation of an electronic banking network, the banking systems in the economically developed countries have moved further toward multiple functions. The banks have assumed numerous social functions, such as managing information, issuing or paying rents and water and electric charges on the behalf of other units or



persons, and managing pensions. For this reason, the banking industry is called the "information industry" or the "financial services industry." Because of their many functions, banks are shifting the principal source of their income from the collection of interests to the collection of service charges. Service charges will become their principal source of income. This shift toward multiple functions has become a general trend.

Second, the change from unitary, specialized division of labor to diversification in financial institutions. In the past, China's banking institutions were divided into state banks and the rural credit cooperatives. The high degree of specialization and regionalization in state banks resulted in a division of regions and funds. The only nonbanking financial institutions are the insurance companies. They have a small variety of business and a narrow scope of activities. Since the Third Plenary Session we have made a major reshuffle of the financial institutions by setting up the central banking system. We have set up over 1,000 urban credit cooperatives and extended the decision-making power of the rural credit cooperatives. We have increased the number of savings and insurance offices and set up comprehensive banks of communications and various trust companies, financial companies, and post office savings deposits. The businesses of various specialized banks also overlap. These are only initial changes. It is still necessary to constantly practice and explore ways to smash once and for all the pattern characterized by the barriers between different departments or regions and the divisions among various special funds.

Third, the change from traditional planned finance to the planned financial market. At present, various localities are running on an experimental basis various forms of capital markets, of which the short-term capital markets are fairly active in trading. They have smashed the unitary system of vertically distributing funds and, in particular, turned indirect finance, which exclusively relies on the banks as a media, into direct finance, which directly raises funds from society. People have increasingly noticed that without the financial markets it would be impossible to smash the capital supply system and to gradually change administrative distribution of capital into market distribution. Running a financial market involves two theoretical issues: First, capital is also a commodity on which transactions can be made; second, the volume of financial transactions may exceed that of commodity transactions. The socialist financial transaction is determined by production and commodity transactions. However, it is also a kind of commodity transaction and has its own law. As long as the financial market is open, capital will certainly be transacted as a commodity. Naturally, the socialist financial market should never be turned into a paradise and a gambling place for financial speculators.

Fourth, the change from unitary financial assets to diversification of financial tools. In the past, the financial assets of enterprises and residents were only cash,

deposit accounts, savings deposit books, and long-term treasury bonds which could not be circulated. Following the economic structural reform, various financial securities, such as stocks, bonds, debentures, and commercial bills have emerged. Although they are not standardized and the amounts are small, this nevertheless represents a breakthrough. China's socialist commodity economy is a planned commodity economy. Our financial tool (commodity) should also integrate regulation by planning mechanism with regulation by market mechanism and be divided into mandatory planning, guidance planning, and regulation by market mechanism. We should not only have the primary market but also actively explore and run the second-level market.

Fifth, the change from the operation and management of banks as institutions and the supply system to the operation and management of banks as enterprises. In the past, China's banking operations were divided into two distinct lines, revenue and expenditure and deposits and credits. The banks either delivered their profits to the state or received allowances to cover their losses. For this reason, the banks did not have to assume any risks or pay attention to economic accounting. Since the Third Plenary Session, the banks have tried out partial economic accounting (calculating the cost and returns of deposits), instituted the system of personal responsibility and the bonus system and, in particular, tried out a method of granting more credits for accepting more deposits, thus linking deposits with credits. All these have provided experience in operating banks as enterprises. However, to truly operate and manage banks as enterprises, it is still necessary to make improvements in six different aspects, such as, the banking structure (changing the administrative regions and the division of special funds), the decision-making powers of banks (responsibility, power, and interests), comprehensive economic accounting (improving services and management, undertaking risks, linking remuneration with economic performance), and the banking operational environment.

Sixth, the change from a closed banking system to an internationalized, open banking system. In the past, although we had the Bank of China, which took special charge of foreign exchange operations, our country's banking system was basically a closed one. It one-sidedly stressed that it did "not incur external debts" and that "our currency is stable" (its fixed price remained unchanged for a long time). It rarely took part in international financial activities. Since the Third Plenary Session, China's financial institutions have started moving toward the world. Not only have they cooperated with enterprises in importing foreign capital and technology, they have also raised funds by issuing treasury bonds on international financial markets. Moreover, they have joined the relevant international financial organizations (such as the World Bank, the International Monetary Fund, the Asian Bank, the Global Bank Communications Association, and so on), approved the setting up of banks with Sino-foreign capital, and allowed

foreign banks to set up branch offices in large, open, coastal cities and the economic special zones. They have also taken an active part in international financial market activities. Naturally, compared with some Western countries whose currencies have been internationalized, there is still a considerable gap.

#### Some Important Issues in the Current Financial Reform Practice [subhead]

The financial reform must be subordinated to, and serve, the economic structural reform and its pace must be coordinated with the overall situation of the economic structural reform. Every effort should be made to reduce the time taken to turn the financial system from an accountant-and-teller type system to an economic-and-technological-lever one. To this end, it will be necessary to solve some important problems in the course of practice:

First, our macro financial controls must have comprehensive economic and technological objectives. Since finance serves as a pivot in the national economy, it must have comprehensive economic and technological objectives and take into consideration the immediate and long-term interests of the national economy and the people's livelihood. In the past, as soon as economic invigoration was stressed, the economy was likely to get out of control and there would be investment expansion, production overheating, and competition for a higher distribution rate; as soon as control was stressed, there would be rigid uniformity irrespective of whether the economy had staying power or would probably shrink. The target of money supply can directly affect some economic and technological objectives and indirectly affect others. If we tighten controls over the money supply to specifically counter a certain economic or technological objective, without weighing the pros and cons or paying attention to the overall balance, we are likely to attend to one thing and lose sight of another. Practice has proved that promptly restricting a certain currency payment index or curbing money supply suddenly and in an all-round way has a considerable side effect. We should explore a comprehensive economic and technological objective which can ensure a stable and rationally structured economic growth rate, a scope of capital construction sustainable by the society, an international balance of payment, and stable prices and, on this basis, regularly make a list for the aggregate supply and aggregate demand for loanable funds and adjust the money supply and the level of interest rates.

Of the comprehensive economic and technological objectives, the economic growth rate and the scope of capital construction are most closely related to money supply. The pursuit of super high growth rate will lead to high inflation. Our economic growth rate should be stable and appropriate and be rationally structured. We must take into consideration the sales of our products on the domestic and foreign markets and avoid stockpiling too many goods or drastically increasing or reducing

their output. Excessive scope of capital construction will increase money supply still further, squeeze out the various production factors needed for normal industrial and agricultural production, and affect the production of commodities aimed at withdrawing surplus paper money. Viewed from the angle of monetary policy, investments in capital construction constitute a big money cycle, investments in technological transformation an intermediate money cycle, and investments in normal production are a small money cycle. It is necessary to explore an appropriate ratio among the large, intermediate, and small cycles. If we put most of the limited capital into the large cycle and thus affect the intermediate and small cycles, there will be an economic infarction.

With the in-depth development of the policy of opening up to the outside world, reaching a balance between international revenue and expenditure has increasingly become an important objective in monetary policy. The import and export amounts of commodities, labor services, and capital, as well as the fluctuations in the exchange rate of the renminbi, can affect the inflation rate. In achieving a macro financial control objective, we should not have our eyes on our country to the neglect of the balance of international payments. The price level serves as a yardstick for measuring the inflation rate. Controlling inflation has a direct bearing on the people's standard of living. The economic and technological objective of our monetary policy is eventually aimed at achieving stability in commodity prices and currency. The level of employment is also an important economic and technological objective of the monetary policy. When working out our monetary policy, we should also consider this objective in light of the practical conditions in our country.

Another important issue concerning the macro financial control is to study, on the basis of strengthening cash management, the supplies of generalized currency in different categories. In the past, we kept money supply under control by restricting the issuance of cash and we should still do so in future. However, with the development of the commodity economy, we should take for reference the experiences of the economically developed countries in restricting generalized currency according to different categories. In restricting generalized currency, we can restrict money supply and strengthen mobile management according to the different circulation levels of different circulating assets.

Second, attention should be paid to raising enterprise finance to the high plane of macro control. Of the distribution of credit funds in our country, the circulating capital and technological transformation credits of industrial and commercial enterprises account for some 80 percent of the total credits. The level of enterprise financial management is of decisive importance to credit funds management and macro financial control. If the enterprises have little decision-making power in the management of funds and do not have the ability to raise



funds and to carry out transformation, they will naturally rely on the banks. Consequently, they will obtain more credits and shoulder heavier interest burdens. Given the change of state allocations to bank credits in enterprise capital supply and the lack of a lively financial market, the banks will naturally be in a position to "monopolize" enterprise capital supply and run a greater risk. At present, in those Western countries where the financial markets are brisk, it has become a new economic phenomenon for industrial and commercial enterprises to run finance. In running finance, the enterprises chiefly set up finance companies which centralize the management and use of capital owned by subordinate companies and which issue commercial securities to directly raise funds to reduce bank credits and interest burdens. Some industrial and commercial enterprises even squeeze their way into the ranks of financial institutions by providing financial services to customers. At present, most of our enterprises do not have the necessary conditions to run finance and it is inadvisable for them to decentralize the management of most credit funds. However, some large enterprises and enterprise groups do have the necessary conditions. With the development of financial reform and the financial market and the advance of enterprise reform, we may gradually relax controls over enterprise finance, gradually create conditions for these enterprises in terms of financial market and financial regulations and ordinances, and let them run their own finance properly (refraining from offering financial services to customers for the time being), manage and use capital at their own disposal, directly raise funds from the financial market, and increase their ability to initiate reform and grow on their own. If the 1,000 or so big enterprise groups institute and improve enterprise finance in the course of instituting the contracted responsibility system, the contradiction between supply and demand in loanable funds will be considerably eased and the interest burden of enterprises will be reduced.

While gradually encouraging large enterprises to run finance, we should also urge medium-sized and small enterprises to improve operations, management, and their own financial conditions. The banks should regularly assess the credibility of industrial and commercial enterprises. With the development of financial markets, our country should also set up authoritative, special institutions to assess credibility.

Third, it is necessary to strengthen foreign exchange control. Foreign exchange control is very important to macro and micro finance. The core of China's foreign exchange control policy is to strive for the balance of international payments, particularly the balance of regular items and accounts. We should stress foreign exchange earnings and encourage the introduction of more advanced technology with less foreign exchange; encourage the setting up of plants with Sino-foreign capital or with exclusive foreign capital; control the use of foreign exchange, the amount of foreign debts, and the import of nontechnological and nonproductive items. In

some localities and enterprises which earn foreign exchange, we may try out a contracted responsibility system, under which foreign exchange earnings and foreign exchange for technological transformation (the retained portion) are contracted. Given the great fluctuations in exchange rates on the international financial markets, an important issue in foreign exchange control is the management of risk in exchange rates. We should keep abreast of, and forecast, changes in the exchange rates and adopt necessary measures to preserve value. At present, it is still unsuitable for our country to extensively open a foreign exchange market. We should only make experiments in a few big coastal cities and special economic zones. Under such circumstances, it is necessary to strengthen foreign exchange discipline to avoid foreign exchange speculation and losses in foreign exchange.

Fourth, it is necessary to step up the building of the electronic banking network. This does not simply mean increasing the number of independently operated electronic computers but, more important, designing and building an electronic capital transmission network. Moreover, it is also necessary to strengthen security work and legal development concerning use of electronic facilities.

**Retail Prices Increase Considerably in 1987**  
HK230457 Hong Kong ZHONGGUO XINWEN SHE  
in Chinese 0810 GMT 19 Oct 87

[Report: "During the First 9 Months of This Year, Retail Prices in China Rose Considerably"]

[Text] Beijing, 19 Oct (ZHONGGUO XINWEN SHE)—During the first 9 months of this year, the general index of retail prices in China rose about 7 percent, with higher increases recorded in large and medium-sized cities.

Zhang Zhongji, spokesman for the State Statistics Bureau, said here today that the main problem in the economy at present is the shortage of nonstaple food products, especially pork, sugar, and another one or two products. The increase in retail prices has disadvantageously affected residents in towns and cities, and the actual income of some families has dropped. Since September, the rate of increase of the total price index of workers living costs has slowed.

Zhang Zhongji said: Consumption funds were somewhat under control this year. The total value of workers' wages in the country from January to September reached some 120.3 billion yuan, an increase of 13.9 percent over the same period last year, which was lower than the increase rate of 20.4 percent recorded in the same period last year. However, some units have not curbed the malpractices of wantonly issuing material objects and allowances and travelling on public funds. The purchasing power of groups still increased rapidly, with an increase rate of 20.7 percent in the first 9 months of this year, compared with the same period last year.



The development of industrial and agricultural production has supplied more sources of commodities. The market is active, with brisk buying and selling. The total retail sale volume of social commodities in the first 9 months of this year amounted to some 410 billion yuan, an increase of 17.6 percent over the same period last year. The sales volume of various commodities, including foods, clothes, and daily necessities, has increased to varying extents. The total retail sales volume of social commodities in the whole year is expected to increase 18 percent over last year.

**Adopting Policy Pricing Structure Examined**  
*HK231440 Shanghai SHIJIE JINGJI DAobao*  
*in Chinese 5 Oct 87 p 2*

["Special Dispatch": "The Establishment of a 'Policy Pricing Structure' Should Be Regarded as the Core of Economic Reform"]

[Text] Beijing—A study report on the "Thought for Economic Structural Reform Proceeding from the Best Disposition of Resources" recently completed by the development research center of the State Council has received a lot of attention from authoritative persons in Beijing. This report has raised the idea of formulating a complete program with a "policy pricing structure" as its core. As reported, the State Planning Commission is beginning to organize people in studying how to formulate an overall plan according to this thought. A few days ago, one of our reporters intended to interview Li Boxi, Fei Zhonghu, and Lan Tianfang, the report's three authors. But unfortunately, Comrade Lan Tianfang died suddenly from a cerebral hemorrhage. So only two of them could be interviewed. Li Boxi and Fei Zhonghu gave detailed answers to the reporter's questions about the program.

**Basic Measures for Forming a "Policy Pricing System"**  
[subhead]

Question: Will you please briefly explain the basic idea for formulating the overall program for economic structural reform with a complete "policy pricing structure" as its core?

Answer: Our basic measures are as follows:

1. We will form a "policy pricing structure" which is independent of the existing pricing structure. This system will serve the purpose of internal accounting, affect economic activities, and include the major consumer and capital goods. This "policy pricing structure" will be formed in the light of the national conditions and the comparable prices of various commodities. In our opinion, the introduction of this system will lead to the best disposition of resources for all economic activities and to producing as much material wealth as possible with our limited resources. This will be a rational pricing system.

2. The government and enterprises will be required to appraise the economic results of their investments in productive projects according to national economic appraisal methods, and the results will be taken as the principal basis for policymaking. The national economic appraisal methods require us to calculate the net benefit rate of funds according to the prices under the "policy pricing structure" (hereinafter called "policy prices" for short). The net benefit rate refers to the amount of increase in national income produced per yuan and calculated according to policy prices. This index can indicate the actual contributions made by investments to the national economy. Projects which make greater contributions than others should be awarded ahead of others. In principle, projects with a net benefit rate lower than the basic standard set by the government must be halted, no matter which department or enterprise undertakes the construction of those projects. On this basis, appropriate consideration will be given to projects able to produce special social benefit.

3. Something must be done about profit retention by enterprises, because the calculation of taxes and profits according to irrational prices has given rise to a situation in which some enterprises are taking advantage of price irrationality to benefit themselves whereas others are suffering losses. After the formation of the "policy pricing structure," the disparity between the calculation according to the existing pricing structure and the calculation according to the policy pricing structure will be used to adjust the amount of taxes to be delivered to the state, and of course, a negative adjustment will also be allowed. Enterprises will be allowed to retain their net profit after paying their land rent, resources tax, tax for the possession of fixed assets, products tax, increment tax, local tax, and income tax. This profit retention method will enable all enterprises to engage in socialist competition on an equal basis.

4. The fact that different enterprises have different strains to withstand the "policy prices" should be taken into account. If there is little difference between the existing regulatory tax and the regulatory tax calculated according to the new method (plus or minus 10 percent), enterprises will be required to pay the regulatory tax calculated according to the new method; if the difference between the two is large, enterprises will be given a transitional period of 10 years to narrow the difference at an annual rate determined by the financial situation of the state.

5. The planned prices of capital goods will not be adjusted for the coming 3 to 5 years. An adjustment will be made for the planned prices of certain products after most enterprises have acquired a strong capacity to withstand the policy prices. In such cases, the planned prices of certain products which are up to standard will be adjusted to such an extent that they are the same as or close to policy prices. This will enable us to straighten out the existing prices within 10 years.

### Enterprises Will Be Really Invigorated [subhead]

**Question:** What are the characteristics of your program for economic structural reform?

**Answer:** In comparison with the existing pricing structure, which introduces a compulsory adjustment of prices in small steps, our program is aimed at carrying out a "one time adjustment of prices so that enterprises will find it easy to assimilate." Apart from being able to reduce mistakes in our economic activities and improve our economic strength, this will ensure the basic stability of prices, prevent fluctuations in economic life, reduce risks, and enable reforms to develop faster and more smoothly.

This program will basically solve the problem of how enterprises should adapt their motives and acts to the overall interests of society under the irrational pricing structure. With the settlement of this problem, we will be able to invigorate enterprises boldly and with ease of mind. With the information obtained from various fields, enterprises can continue production without fearing the lack of funds and without worrying about government intervention, so long as they abide by the government's industrial policy and calculate their economic results according to policy prices. Under ordinary circumstances, there is no need for government departments to intervene in enterprises. Thus, enterprises will be really invigorated.

Economic levers such as prices, taxation, interest rates, and financial subsidies are implements the government uses to protect the overall interests. According to this idea, the application of economic levers will have a more solid scientific basis and will no longer rely on the experience of a small number of people or on the historical experience which lacks adequate argument. With the regularization of the application of economic levers, enterprises will be well aware of their own operational results. This will make it possible for the government to shift from exercising direct control over enterprises to exercising indirect control over them.

Traditional mandatory plans for microeconomic activities including carrying out production, construction, and distribution as well as setting prices will be reduced, but efforts will be made to strengthen the application of macroeconomic restrictive means. Some special organs will be in charge of working out and announcing policy prices as well as standard benefit rates and shadow exchange rates. The market will be more open and perfect under state adjustment and control. This adjustment and control will enable the market to play its role in carrying out the best disposition of resources.

What merits particular attention is that the application of this measure may possibly help solve the inflation of investment, which is a headache to China. Since it has been made clear that national income and the net benefit from investments will be calculated according to policy

prices, projects which are not up to these requirements must not continue. If the total investment scale exceeds the state plan, the basic benefit rate will be raised so that no loophole can be found in the pricing or policymaking structure. Thus, it will be possible not only to control the total investment scale and rationalize the investment structure, but also to improve the economic results of investments. In our opinion, the "investment hunger syndrome" is not merely a stubborn sickness socialist countries have. With effective control over the investment scale and the consumption fund, we will be able to speed up reforms in a stable economic situation.

In a word, with an overall program for economic structural reform, the people will no longer be in a passive position but will know how to carry out the entire economic structural reform and to choose the correct direction in their work. They will obtain the relevant compensation for the work they do for society. Everyone would like to see such a situation.

### There Is Already a Certain Foundation for the Formation of the "Policy Pricing Structure" [subhead]

**Question:** Is the formation of the "policy pricing structure" very complicated?

**Answer:** Not very complicated. As a matter of fact, there is already a certain foundation for the formation of the policy pricing structure. These prices were in fact the "shadow prices" introduced by the United Nations Industrial Development Organization [UNIDO] and the World Bank in the course of appraising the national economies of developing nations. Some people also call them "accounting prices" or "efficiency prices." The World Bank has been very successful in applying these prices and the appraisal method to loans it has provided for investments over the last few years.

The State Planning Commission has now worked out a national economic appraisal method and formulated shadow prices for foreign trade and non-foreign trade commodities. It has also put forward an initial idea on the shadow exchange rate, the basic benefit rate, and the shadow wage rate. Planning units in many departments have drawn up more than a dozen programs, and they will be promulgated for trial implementation soon.

In addition, the World Bank has for the last few years collected reference material on shadow prices. The development research center of the State Council is making contacts with the World Bank for joint efforts in this respect, and contacts with the UNIDO are also under way.

The "policy pricing structure" we have suggested basically conforms to the shadow prices applied to the appraisal of the national economy. The difference is that we have extended the application of this structure to enterprise management, foreign trade development, and scientific explorations, apart from using it in the course



of drawing up policies on investment. With the cooperation of the departments concerned, it will not be hard to formulate workable prices before too long.

#### Let the Masses Participate in Discussions [subhead]

Question: How do you plan to carry out this program?

Answer: A "seminar on the policy pricing structure" will be held in Beijing, and work will soon start on drawing up the plan for the formation of the policy pricing structure. We will participate in the seminar and do our bit for the planning work. China's economic structural reform is at a crucial stage now. We will invite entrepreneurs and ordinary people to take part in the seminar to discuss ways for carrying out our economic structural reform more smoothly. Some people say that enterprises enjoying the advantage of the existing pricing structure will object to the seminar. We do not think so. In our opinion, many of the problems that have emerged have resulted from the old economic structure and the irrational pricing structure. There are not many factory directors and managers who want to avail themselves of loopholes in the irrational pricing structure and the irrational financial system. The majority of enterprise leaders want to know more about their enterprises' contributions to the national economy and about how they should strive for the fulfillment of their targets. We can say that we really care for enterprises only when we make these points clear to them. It is quite possible that some of them may think that the 10-year transitional period we have proposed is too long.

#### Outstanding Agricultural Problems Viewed

HK221448 Beijing JINGJI RIBAO in Chinese 6 Oct 87  
p 7

[Report: "Rural Economy Achieves Enormous Progress After 8 Years of Reforms—Inadequate Staying Power of Agriculture Needs To Be Seriously Resolved in the Course of Deepening the Reform"]

[Text] Figures compiled by the State Statistic Bureau have shown that enormous progress has been achieved in our rural economy after 8 years of reforms.

There has been an overall and rapid development of the rural economy. In 1986, the rural social gross output value amounted to 755.4 billion yuan, an increase of 170 percent over 1978. During the 8 years between 1978 and 1986 the average annual growth rate of the rural economy was 13.2 percent. Agriculture, forestry, animal husbandry, sideline production, and fishery were all prosperous, output of principal farm produce increased by a big margin, and nonagricultural production also developed rapidly. All these were the main factors contributing to the overall and rapid growth of rural economy. Compared with 1978, the total output value of agricultural production in 1986 rose by 66.2 percent. Of this, output value of farm products went up by 46.5 percent, forestry by 70 percent, stockraising by 110

percent, sideline production by 230 percent, and fishery by 120 percent. In 1984, the outputs of grain and cotton recorded all-time highs. But there was some reduction in the output of the two crops in the past 2 years due to natural disasters and readjustment of production structure. Compared with 1978, however, the output of grain and cotton in 1986 still jumped by 28.5 percent and 63.1 percent respectively, and there were substantial increases in the output of both livestock and aquatic products. The rapid development of nonagricultural production has instilled vitality into the rural economy. In 1986, the total output value of nonagricultural production such as rural industry, building industry, transport, and commerce came to 354.1 billion yuan, a jump of about 400 percent over 1978. In the 8 years between 1978 and 1986 the gross output value of nonagricultural production increased at an average annual rate of 22 percent.

Gratifying changes have occurred in the rural production structure. After several years of readjustment, the monoculture structure in farm production has been torn down, the proportion of cash crops has been increased, greater attention has been given to forestry, animal husbandry, sideline occupations, and fishery, and the proportion of nonagricultural production has increased. As a result, a new situation of overall development has emerged in the rural areas. The proportion of grain crops decreased from 76.7 percent in 1978 to 63.3 percent in 1986, while the proportion of cash crops increased from 11.9 percent in 1978 to 17.9 percent in 1986.

Better economic results have been achieved. The average social output value created by each rural laborer in 1986 reached 1,979 yuan, an increase of 120 percent over 1978; the output value of per mu yield was 173 yuan, up by 51 percent over 1978; and the total amount of purchase of farm and sideline produce in 1986 was 199 billion yuan, representing an increase of 143.2 billion yuan over 1978, and the average annual growth rate between 1978 and 1986 was 17.9 percent.

With further deepening of the rural reforms, the role of agriculture as the foundation of the national economy has been more fully exploited than before and created favorable conditions for a sustained and steady development of the national economy as a whole. First, agricultural production has increased the supply of goods. The past 8 years have witnessed substantial increases in farm and sideline products, thus momentarily relaxing strains on supply of these products and providing large quantities and varieties of farm and sideline products to the rural trade markets. In addition, agricultural production has furnished industry with more raw materials. In 1986 the output value of the light industry, a major consumer of raw materials from farm and sideline products, amounted to 303.9 billion yuan (calculated according to the fixed prices in 1980). With the development of export-oriented agricultural production and the increase of exported farm and sideline products and processed goods, agriculture has earned more foreign exchange for the state. Meanwhile, the reform of the rural economy



has also created conditions for the development of agriculture. In the past 8 years, there has been an unprecedented increase in peasants' per capita income and improvement in their living standards. In 1986 per capita income of peasants was 424 yuan, an increase of 290 yuan over the 134 yuan in 1978. The increase of per capita income of peasants has accumulated capital for the development of production and the improvement of their living standards.

Inadequate sustaining strength of agriculture is the major unstable factor in the current rural economic reforms. Problems such as ever increasing reduction of cultivated land, the weak infrastructure of agricultural production, serious water loss and soil erosion, decreasing soil fertility, inadequate investment in technological transformation, and dwindling enthusiasm of peasants badly need to be addressed in the course of deepening the rural reform.

### Central-South Region

#### Guangdong Gets Preferential Trade Policy

HK221439 Guangzhou Guangdong Provincial Service  
in Mandarin 1000 GMT 19 Oct 87

[Text] Our station reporter Ding Haiping has learned the following from relevant departments:

The State Council recently decided to implement a more preferential policy toward our province in terms of the development of processing with supplied materials, drawings, and samples and of compensation trade.

Processing with supplied materials, drawings, and samples and compensation trade are important ways for our province to increase foreign exchange income and to absorb foreign investments. Through processing with supplied materials, drawings, and samples and foreign trade over the past 8 years, our province has signed nearly 70,000 agreements on doing processing and assembling work for foreign businessmen and received \$1.28 billion in income from such work.

To further promote processing with supplied materials, drawings, and samples and compensation trade in our province, the State Council has decided to adopt the following preferential policy toward our province:

1. Regarding Guangdong's foreign exchange income from its work of processing with supplied materials, drawings, and samples, as well as from its compensation trade, the method of sharing the entire profit for exceeding a base figure will continue to be implemented.
2. Export products for approved contracts are exempt from restrictions imposed by permits and can be cleared by customs in accordance with contracts.
3. The import of mechanical equipment, tools, and raw and semifinished materials, as well as fuels for private use for meeting the needs of the work of processing with supplied materials, drawings, and samples, does not require special permits. Such items can be cleared by customs after examination of relevant contracts.
4. Restrictions imposed on the import of production equipment and vehicles needed for the work of processing with supplied materials, drawings, and samples, as well as restrictions imposed on the import of articles for daily use needed by foreign businessmen and foreign technical personnel, will all be relaxed.

#### Guangdong's Lin at National Games Meeting

ZHK230405 Guangzhou Guangdong Provincial Service  
in Mandarin 0400 GMT 21 Oct 87

[Text] The provincial party committee and the provincial government recently held a meeting to hear reports on the preparatory committee's work for the sixth

national games. The meeting also discussed ways to successfully run the sixth national games. Comrade Lin Ruo, secretary of the provincial party committee, presided over the meeting.

After summing up work experiences gained during the previous period, the following demands were made at the meeting: 1) We must fully understand the great importance of successfully running the sixth national games. We must do well from start to finish in making all types of preparations for the games. Between now and the opening of the national games, we must conduct a comprehensive check on the preparatory work and pay close attention to unfinished work. 2) We must successfully grasp different types of work related to the national games, including safety and security work, the promotion of the social environment, transport services, receptions, the distribution of booking office work, and the organizational work for both the opening and closing ceremonies of the national games. 3) We must strengthen the training of sports teams in our province and strive to produce excellent results at the national games.

### Southwest Region

#### Xizang Police Win 'High Praise' for Work

HK230308 Lhasa Xizang Regional Service in Mandarin  
1130 GMT 21 Oct 87

[Text] During the riot started by the Dalai clique and a small number of separatists, the cadres and fighters of a company (zhong dui) of the Chinese People's Armed Police Force persistently implemented the method of persuasion and education. They did their duty in a civilized way and won high praise from local party and government leaders as well as the Tibetan masses. Since the beginning of this month, the 1st Company of the Armed Police Force has organized a program for its cadres and fighters to conscientiously study the Regional Autonomy of Minority Nationalities Law and the regulations for penalizing disrupters of public security. This has raised the standard of their legal knowledge and strengthened their sense of the legal system as well as their determination to do their duty according to the law.

Fighter Xiang Xiaofeng was once ordered to be on point duty at a fork in a road leading to the Zewang Temple. A Tibetan, failing to understand the relevant regulations, pushed Little Xiang into a ditch. As a result, Little Xiang was completely covered with mud. Despite this, Little Xiang did not get angry. He calmly advised the Tibetan about the regulations on penalizing disrupters of public security. Eventually the Tibetan was touched by Little Xiang's implementation of the method of patient persuasion and education. Just before parting, the Tibetan said in broken Mandarin: Comrade, you have proved yourself to be a model in observing discipline and abiding by the law.

**Xizang Congress Delegates Leave for Beijing**  
*HK230345 Lhasa Xizang Regional Service in Mandarin*  
1130 GMT 21 Oct 87

[Text] Our region's 20 delegates to the 13th National Party Congress left Lhasa for Beijing on the afternoon of 21 October. They were elected during the autonomous regional party representatives conference held in June. They are: Wu Jinghua, Raidi, Doje Cering, Basang, Mao Rubai, Dangzin, (Song Ping), Zhang Xiangming, (Chu Xiong), (Li Guangwen), (Bai Zhao), Puquin, (Qu Jia), (Qaba Gaen), (Ya Niang), (Dai En), (Li Jiarui), (Laba Hupo), (Wang Daichang), and (Ren Qin Tingpo).

Attending a send-off meeting held on the morning of 21 October in honor of the 20 delegates in the (Minzu) conference room of the regional party committee were Gyanincain Norbu, deputy secretary of the autonomous regional party committee; Hu Songjie, standing committee member of the regional party committee; Puquin, vice chairman of the regional people's government; and responsible comrades from the regional party committee's organization and propaganda departments.

Mao Rubai, vice chairman of the regional government, delivered a speech on behalf of the region's delegates to the 13th National Party Congress. He said: We are very honored to represent the nearly 70,000 party members throughout the region at the 13th National Party Congress. To do a good job at this congress, we are determined to do our duty. We will conscientiously and successfully study documents of the congress, bring back its spirit, and carry out the tasks to come in the spirit of the congress. We will also strive to do a good job of safeguarding the unification of the motherland, strengthening nationality solidarity, and building Xizang into a new socialist Xizang.

**Army Commander on Tibetan Cadre Development**  
*HK230501 Beijing JIEFANGJUN BAO in Chinese*  
11 Oct 87 p 1

["Weekend Interview" with Gamazedeng, commander of the Xigaze Military Subdistrict, by Ma Huachang (7456 5478 2490) and Hu Shanwen (5170 0810 2429): "Tibetan Cadres Are Maturing in the Barracks"; date and place not given]

[Text] In mid-autumn, we paid a visit to Comrade Gamazedeng, commander of Xigaze Military Subdistrict under Xizang Military District. We interviewed him on the development of Army cadres of the Tibetan nationality, which is a member of the great Chinese family.

Born to be a serf under a hereditary headman, Gamazedeng joined the Army in the 1950's. He is a "veteran border guard" who has rendered outstanding service. He speaks very fluent Putonghua. Having learned that we wanted to interview him, he handed us a full cup of buttered tea and began to talk glowingly.

"It has always been an important task of PLA units stationed in Xizang to vigorously foster Tibetan cadres and give them priority in employment. Soon after the PLA entered Xizang, the Army began to train Tibetan cadres for important leading posts. In 1955, when the system of military ranks was introduced into the PLA, a batch of Tibetan cadres obtained the rank of major or above. Ngapoi Ngawang Jigme, awarded the rank of lieutenant general, is a Tibetan PLA general of the first generation. Since then, Tibetan cadres have taken up leading posts group by group and become a vital new force in the building of the Army. At present, PLA units stationed in Xizang have Tibetan officers holding leading posts at the military district, subdistrict, and regimental levels. At the grass-roots level, basically all companies have their own Tibetan cadres. On average, 1 out of every 15 cadres in PLA units in Xizang is Tibetan.

"The Central Military Commission has adopted a special policy fostering Tibetan cadres. It has broken away from the old convention that soldiers who have not undergone training in military institutes cannot be directly promoted to cadre. In Xizang, dozens of outstanding Tibetan fighters are directly promoted to cadre each year after completion of cadre training courses offered by the training group of the military district. Since 1980, a total of more than 300 Tibetan fighters have been promoted. Some cadres have been recommended to study at universities and colleges in the Chinese interior. In recommending cadres for training courses, organizations at all levels have given priority to Tibetan cadres. In organizing training courses, the military district always ensures that 20 percent of the trainees in each course are Tibetan. When cadres are selected to form leading bodies at all levels, priority has always been given to Tibetans. At present, Xigaze Military Subdistrict has more than 160 Tibetan cadres. Over 20 of these have entered leading bodies at or above the regimental level. More than 10 have been appointed persons in charge, and 3 hold leading posts in the military subdistrict. Thanks to the help of party organizations, these formerly semiliterate peasants and herds-men are now qualified cadres building and managing the Army. They possess a fair amount of leadership ability and scientific knowledge. All of them have completed junior or senior secondary education. Some have even reached the technical secondary or higher educational level. They are playing more and more important roles in various fields of Army work. Many comrades have been working on the first front of border defense year in and year out. They stand guard at Chaguola, Zelila, Kunmuja, and other sentry posts, which are more than 4,000 meters above sea level and always threatened by snowstorms. They work with all their hearts and all their might for the security and territorial integrity of the motherland.

When we changed the subject to the 1 October disturbances started by a small number of splittists in Lhasa, Commander Gamazedeng became agitated. He said: "The handful of people making trouble in Lhasa sought



to respond to the Dalai clique's activities abroad to disrupt the motherland. Splittism goes against the people's will. On 5 October, more than 1,000 Tibetans held a rally in Xigaze to condemn the criminal activities of this handful of rioters. We, the soldiers and people of Tibet, will never tolerate any acts aimed at disrupting the motherland.

"The earth-shaking changes in Xizang after the peaceful liberation are obvious to all. From their personal experience, this generation of Tibetan soldiers is deeply convinced that without the CPC there would be neither a new Xizang nor a happy life for hundreds of thousands of serfs."

We said goodbye to Commander Gamazedeng at sunset. He stood by the door and waved farewell to us again and again. His stalwart figure, against the golden setting sun, looked just like a big eagle soaring over a snowy mountain.

### North Region

**Second Christian Delegates' Conference Held**  
*SK230740 Shijiazhuang HEBEI RIBAO in Chinese*  
12 Oct 87 p 1

[Text] The second provincial conference of Christian delegates was held at the provincial reception center from 6 to 11 October. On the afternoon of 11 October, leading comrades of the provincial party committee, the provincial People's Congress Standing Committee, the provincial government, and the provincial CPPCC committee received the delegates.

Lu Chuanzan, deputy secretary of the provincial party committee, delivered a speech at the conference. He said: Since the 3d Plenary Session of the 11th Party Central Committee, we have conscientiously implemented the policy on freedom of religious belief. As a result, the normal religious activities of believers have been guaranteed. Citizens with religious beliefs have the same democratic rights and political positions as those without religious beliefs. The unity among the vast number of religious figures has been strengthened. The vast number of religious figures have been mobilized to participate in the socialist modernization drive.

The Chinese Christian principles of self-administration, self-support, and self-preachment were set forth by men of insight in China's Christian circle right after the founding of the PRC. These principles have proven completely correct. The "three-self" patriotic campaign has yielded great results. Thanks to education by the "three-self" patriotic organizations, the vast number of Christians have constantly enhanced their consciousness in socialism and patriotism. However, antagonistic religious forces abroad have always attempted to meddle in our country's religious affairs and even to interfere in our country's internal affairs. Such practices should never be allowed. It is hoped that friends in religious

circles will continuously uphold the just stand of the "three-self" patriotic campaign. We also hope they will follow the policy of independent action and keep the initiative in our hands. In addition, we hope they will support the policy of running churches independently and not become subject to control by foreign forces.

The central authorities have already definitely stipulated that the campaign of opposing bourgeois liberalization should be strictly limited within the party and should be carried out mainly in the political and ideological fields. This campaign does not involve figures and friends in the religious circle. However, it is demanded that Christians uphold the "three-self" patriotic road. They are forbidden to oppose Marxism-Leninism-Mao Zedong Thought or to interfere in political, judicial, or educational affairs in any form.

Concluding his speech, Lu Chuanzan encouraged the vast number of religious people to make new contributions to consolidating and developing the province's excellent stability and unity.

### Northeast Region

**Jilin's Gao Di on Income of Contractors**  
*SK230953 Shenyang DONGBEI JINGJI BAO*  
in Chinese No 193 13 Oct 87 p 1

[Interview with Gao Di, secretary of the Jilin provincial party committee, by reporter Li Yan (2621 1750); date and place not given]

[Text] Amid this golden autumn season, this reporter interviewed Gao Di, secretary of the Jilin provincial party committee, on how to treat the above-normal income of contractors and leaseholders.

Li Yan: After the contract system, Jilin Province instituted a system of open invitations to contractors and leased management. Now the year is drawing to a close, and Jilin is in better shape than last year. Can contractors and lease-holders get their contracted income at the end of the year?

Gao Di: Plant directors should receive the interest they are entitled to under their contracts. If that cannot be done this year, there is absolutely no chance of successfully continuing the contracts next year. Influenced by concepts established as a result of long-standing egalitarianism, some would disagree that contractors gain more than they do. Therefore, it is very difficult for contractors to obtain their personal income. These comrades do not understand that what the contractors do is complicated labor. Nor do they understand that it conforms to the socialist principle of, from each according to his ability and to each according to his work, to make remuneration for complicated labor higher than that for simple labor. People contracting for the management of enterprises devote more labor than others, bear more risks, and have to compensate with their own wages and

property if they fail to fulfill the contracted targets. Therefore, they are entitled to get more than others. Contracts (including those for leasing) are notarized by law, and therefore should be fulfilled by the end of the year. If the contracts are not perfect, they can be further revised the following year. We should safeguard the sanctity and legality of contracts.

Li Yan: In that case, the income of some contractors would be higher than that of a provincial governor. People say: If that is true, then a provincial governor is no better off than a plant director.

Gao Di: We cannot judge the issue in that way. The income of enterprise managers may be higher than that of party and government leading cadres because they bear more direct risks. After they sign contracts, in particular mortgage contracts, they actually lose the iron bowl. Their income is decided by their management performance. Therefore, in terms of income, party and government cadres cannot be compared with entrepreneurs. By the same token, entrepreneurs cannot be compared with party and government cadres or be defined as such. Entrepreneurs are entrepreneurs, and they should be respected by society just as scientists and artists are. The contract and leasing systems have provided a vast field in which entrepreneurs can develop their talents. We encourage outstanding personnel to go to enterprises. This is what our state hopes for. "Water flows from the source." Where is the source? It is in the enterprises. Wealth is created by enterprises. It is a good thing that the remuneration of entrepreneurs is higher than provincial governors. It shows that the enterprises are successful. The more an entrepreneur earns, the more

he contributes to the state. If you want to earn more, go and contract for enterprise management! The flow of office cadres to enterprises is also the direction of the political structural reform.

Li Yan: Some enterprise leaders say that they have to sing two songs well. One is "The Internationale" (to save themselves) when the enterprise is losing money, and the other is the "Three Main Rules of Discipline and the Eight Points for Attention" (to turn in everything) when the enterprise is managed well and making money. What do you think of this?

Gao Di: At present, directors contracting for the management of enterprises want to get their above-normal income, but they dare not because they are afraid of gossip. This is abnormal. Private business households can earn as much as they can, and it is very normal for them to become "10,000-yuan households." If our entrepreneurs contribute more, why shouldn't they earn more? It conforms to the Marxist principle of distribution according to work if the labor they devote is in direct ratio to their income. The practice of not getting more for more labor, and not getting less for less labor is itself a violation of the socialist principle of distribution. If there are people who are jealous of the higher income of plant directors, let them compete with others to become plant directors. My personal view is that plant directors should get whatever they are entitled to under their contracts, and they can dispose of the money any way they like. It is their business if they like to reward deputy directors or other people with their own money. However, they must do it voluntarily and not under any visible or invisible pressure.

**Taiwan Visitors' Travel Arrangements Eased**  
*OW230346 Beijing XINHUA in English 1451 GMT*  
*21 Oct 87*

[Text] Beijing, October 21 (XINHUA)—The Civil Aviation Administration of China (CAAC) and the Ministries of Communications and Railways will make travel easier for Taiwan compatriots while on the mainland, XINHUA learned today.

CAAC will run more flights on the Beijing-Hong Kong, Guangzhou-Hong Kong, Shanghai-Hong Kong, Beijing-Guangzhou, and Shanghai-Guangzhou routes. Main ports

and bus depots will set up special ticket windows for Taiwan compatriots.

As for rail transport, stations in cities where large numbers of Taiwan compatriots are likely to go will give priority to Taiwan compatriots with travel certificates in booking tickets and transporting baggage.

Taiwan compatriots in groups of 10 or more will be guaranteed tickets if reservations are made within the fixed booking time, and they will be charged the same fares as mainlanders for air, ship, train, and bus tickets.



**Reporters' Series on PRC Visit Concludes**  
*HK201011 Hong Kong HONGKONG Standard*  
(Tuesday Extra Supplement) in English 20 Oct 87 p 3

[Conclusion of series by Taiwan journalists Li Yung-teh and Hsu Lu; translator's name not provided]

[text] We had an unforgettable experience from the interest shown by journalists who travelled with us.

While in Beijing a report in a Hong Kong newspaper summed up our feelings: "Sometimes they are very glad to answer our questions, sometimes, however, they are impatient and ask 'why are you following us?'" Among the many journalists from different countries with us, we admired journalists from Hong Kong and Japan. American journalists were rather subjective, having more criticism and opinion on Communist China.

French journalists gave the impression of men "experienced in the socialist system" and often came up with outstanding viewpoints about mainland China.

One French journalist said he pitied the slow pace of economic reform in China.

He said many pro-socialist youths in France were disappointed with the socialist system the French Government had adopted. But on our trip there were few journalists with the same enthusiasm for socialism, or communism in China.

Most Western journalists listed grievances they had with the Chinese Administration.

A veteran news agency reporter said that when he had visited the mainland seven to eight years ago, he had felt as if he was "paying respects to the sovereign".

He said most Westerners held a kind of "atoning for one's crime" attitude towards the backwardness of the mainland.

He said the government was suspicious of foreigners. We found that Japanese journalists were especially interested in politically sensitive questions.

But, they were careful when touching on the political problems of Communist China.

German journalists were interested in our first impressions of mainland China.

When we talked about the kind of "familiar yet strange" feelings we had towards the people on the mainland, they clapped their hands and said, "right, exactly our kind of feeling".

They told us of experiences from meetings between East and West German people. Journalists from Hong Kong worked hard. They were the journalists to follow us closely.

Hong Kong journalists have more complex feeling towards mainland China—"a mixture of love and hatred." A woman journalist from Hong Kong said she had been totally leftist and had given full support to the communist party.

However, since working on the mainland for her newspaper, she had become more rightist and even loathed the communist party.

Communist China seems to have conflicting feelings towards journalists from Hong Kong. Members from the *China News Service* showed signs of "disapproval" towards the close relationship we had with the Hong Kong journalists.

The mainland journalists were "neither over friendly nor aloof" towards us.

When the Taiwan Government announced a policy of relaxation of restrictions on countrymen visiting relatives on the mainland, all in Taiwan became excited. We took the lead by making our trip—14 days of visiting relatives and reporting.

However, the Taiwan Government has been cautious and insecure about our trip.

On the mainland, we personally experienced how the Chinese Communist Government can mobilise resources and manpower to welcome Taiwan compatriots. This contrasts with the passive relative-visiting policy of the Taiwan Government.

There are at least several problems with visiting relatives on both shores of the Taiwan Strait.

The first official group of people to visit the mainland is expected to comprise ex-soldiers and retired generals.

Old soldiers, both on the mainland and in Taiwan, have in the past thirty years due to lack of counselling and care sunk to the middle or lower strata of society.

Although the Taiwan Government has relaxed restrictions on visiting relatives and will let these ex-soldiers realise their wish of "returning to their native land", it does not solve the whole problem.

The government is unlikely to offer much help. These people need special help for psychological adjustment and arrangement of accommodation when they visit their native home.

The second problem is how the government will treat people who return to Taiwan after visiting the mainland.

After we came back from our trip to the mainland, we encountered people who treated us with suspicion.

Will future visitors be regarded as having a "united front with the Chinese Communist Government?"

Will they be held in suspicion of being "entrusted with some duty"?

In reality, if the people on both shores of the Strait cannot be sincere when visiting relatives, avoiding any kind of political intervention, it will be difficult to establish a foundation of mutual trust and understanding. Taiwan, mainland China, Japan and Hong Kong—these four places all engage in the work of economic recovery.

But all four have different systems and methodologies.

According to a recent research report from an academic institute of the Chinese Government, the government had admitted that "socialism cannot take the place of capitalism and that the pace of economic, scientific and technological development of a capitalist country is faster than that of a socialist country."

This report clearly explained the reason why the economy of mainland China is so backward.

Although the Chinese Government has admitted to limitations of socialism, it is still not willing to and dare not give up the so-called "characteristic Chinese socialism" which is of the same origin as Marxism-Leninism.

To try to enliven its economy at the same time, the government employs policies—to strengthen its relationship with Japan, to mobilise academic circles to support the idea of "one country, two systems".

The purpose is to make use of science, technology and international capital attained by capitalist economies of Japan, Taiwan, and Hong Kong to assist the economic construction of mainland China.

Once the economy became "enlivened", capitalism would retreat to the background after having fulfilled its transitional duty.

The ideology of socialism could then be fully realised.

Recently, the Chinese government always talked about "one country, two systems" and "unification" with Hong Kong.

The one country, two systems belief of communist China means that after "unification of the fatherland", the capitalist systems of Hong Kong and Taiwan would be kept, taking into consideration that their prosperity could be maintained.

At the same time, mainland China could maintain its socialist line. In this way, through capitalist Hong Kong and Taiwan, mainland China could absorb foreign capital for its economic construction.

The Chinese government focuses its propaganda on promoting "unification of the fatherland".

As a result people on the mainland want unification. However, as to how unification could be achieved, the average people had no idea.

They had different opinions about Hong Kong and Taiwan.

Although the economy of Hong Kong was prosperous, without the protection of unification, its prosperity was hollow, with the Hong Kong people having no sense of belonging.

As to the unification with Taiwan, mainlanders thought it would be beneficial to both countries.

However, Hong Kong people do not think on these lines.

Hong Kong journalists told us that Hong Kong people do not have much confidence in communist China.

Unification is the ultimate aim far in the future, but it is not something which could be forced by any political power.

**Red Cross Facilitates Mainland Travel**  
*OW230337 Taipei CNA in English 0245 GMT*  
23 Oct 87

[Text] Taipei, Oct. 23 (CNA)—People in the Republic of China on Taiwan interested in visiting mainland relatives can ask travel agents in Taiwan to register for them with the Red Cross Society of China, the agency responsible for formally applying for necessary travel documents.

The agreement was reached Thursday when the ROC Red Cross Society invited Taipei travel agents and representatives of the Tourism Bureau, the Vocational Assistance Commission for Retired Servicemen, and the Bureau of Entry and Exit to discuss technical problems related to the mainland visits.

They agreed that Taiwan travel agents should not establish direct business relations with their mainland counterparts and should not send staffers to the Chinese mainland for commercial purposes.

In addition, local travel agents will hold background forums before their clients' departure to protect the interests and rights of the tourists.

Meanwhile, the Tourism Bureau revised the guidelines announced July 27 governing sightseeing tours to Hong Kong and Macao.

Hsiao Po-hsiung, secretary-general of the bureau, told the press that the revised guidelines strictly forbid

Taiwan travel agents to arrange mainland sightseeing tours under the pretext of visiting relatives.

The ROC Government will strictly enforce the guidelines; Taiwan travel agents violating the guidelines will be punished by having their licences revoked, Hsiao stressed.



## Hong Kong

### Green Paper On Time Despite Forgeries

HK230215 Hong Kong SOUTH CHINA MORNING  
POST in English 23 Oct 87 p 2

[Text] Hong Kong Government officials said yesterday the Survey Office's Green Paper report would be completed on time—even though more than 2,400 complaints of false submissions have been received.

Survey Office Commissioner Mr Adolf Hsu is due to submit his findings on October 31, and they will be tabled in the Legislative Council on November 4.

Although 2,407 complaints have so far been made to the office and police, with another 270 received yesterday, a spokesman for the office said it would be impossible to exclude further forgeries from the report.

The spokesman said the Survey Office was considering what to do with forgery claims that have come in since the October 21 deadline.

About 530 calls were made on Wednesday, some referred to the office by the police who were asked to investigate the scam last week on the advice of the Attorney General, Mr Michael Thomas.

The Government Secretariat press office yesterday confirmed that the report would be completed on schedule, even though the Chief Secretary, Mr David Ford, had suggested that it could be delayed.

The police have handed the investigation to a task force headed by Assistant Commissioner Mr Lee Lamchuen.

Sources said the Special Branch would be called in if any evidence was found of an organised campaign to influence the result of the opinion gathering exercise.

The task force of about 50 detectives has started interviewing complainants but it could take several weeks before the results of the inquiry were known, one source said.

So far the Survey Office has refused to disclose whether there has been a pattern to the fakes.

### Stock Exchange Confirms 26 Oct Opening

HK230201 Hong Kong SOUTH CHINA MORNING  
POST in English 23 Oct 87 pp 1, 2

[By Chan Chi-keung and Simon Macklin]

[Text] The Stock Exchange of Hong Kong has decided to ignore pressure to cut short its four-day shutdown and will now resume trading on Monday.

In a special meeting yesterday, the exchange committee voted to reopen the trading hall's doors on Monday morning and exchange chairman Mr Ronald Li said committee members were unanimous in their decision.

The move was made despite mounting criticism, both in Hong Kong and internationally, of the closure after the market's collapse on Monday, and demands for an early reopening.

Leading legal expert and legislator Mr Martin Lee QC yesterday went so far as to question the legality of the closure.

Mr Lee said brokers had a clear case for an injunction forcing the exchange to reopen, and could even sue for damages if they had suffered financially.

Exchange chief Mr Li said that when trading resumed, stockbrokers would be ordered to buy shares in the open market to fulfil any outstanding deliveries.

Mr Li also asserted that the committee was running the stock exchange in a professional manner.

He said the Government had been extremely co-operative and had not placed any pressure on the committee.

"There are certain, shall we say, armchair criticisms from those who are not in the business but like to express their opinions," he said.

"We will not be disturbed and we will do what is necessary for good conduct and an orderly market."

He said brokers who had not completed settlements by the resumption would be instructed to buy back in order to effect deliveries.

Mr Li dismissed charges of conflict of interest as chairman of the exchange and a holder of a substantial number of shares.

"I have owned shares since I was six and I started the Far East Exchange 18 years ago. If there had been any conflict of interest, I would not even have started the Far East Exchange."

Commenting on whether the exchange would be closed during another crisis, Mr Li said: "I can only answer when the next crisis arises, but I cannot at this particular moment anticipate what action we are going to take because we do not know in what form, size and shape that crisis is going to appear to be."

"What happens today receives one treatment and what happens in the future will receive maybe the same treatment or other treatment..."

Mr Lee, a Queen's Counsel and member of the Legislative Council, said brokers could seek an injunction from the courts to have the exchange reopened and quash the committee's decision to close it.

Mr Lee said the decision to close was "obviously wrong" and outside the law and he called for an investigation into the committee's actions.

"Any broker who is aggrieved could immediately apply to the court for a declaration, or injunction, quashing the committee's decision," Mr Lee said.

And the lawyer said if brokers believed they had suffered a financial loss as a result of the closure, they could sue for damages.

He said the law showed the committee had "no power" to close the exchange.

Mr Lee said the Securities Ordinance gave the Commission for Securities the power to close the market if there was a financial crisis.

But he said the stock exchange committee only had the power to close the exchange trading hall, if there was "some impediment" to the functioning of the market, such as a power failure or typhoon.

Mr Lee said the Government had presented "spurious arguments" to back up the exchange committee's decision.

Speaking in the Legislative Council on Wednesday, Financial Secretary Piers Jacobs appeared to back the committee's decision and denied there was any need for an investigation by the Securities Commission.

Mr Jacobs told councillors: "The question of Government approval does not arise since the exchange has the power to take such action (ordering a closure) under its own rules."

The closure had been justified by the exchange committee on the grounds that time was needed to clear the backlog of orders following heavy selling on Monday.

But Mr Lee said the backlog could not justify the decision to close the market unless it could be shown the mass of orders adversely affected the functioning of the trading hall.

"The Government ought to acknowledge their reading of the law was wrong," he said.

Mr Lee said the Government may not have wanted to further destabilise the financial markets by drawing into question the committee's decision.

But he said: "The Government must have the confidence to govern."

"Some foreign investors say they will not trust the market in Hong Kong any more—but if we really want to restore the credibility of Hong Kong as a financial centre, we have to review very carefully the organisation of the stock exchange."

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